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HAROLD B. WILLEY, Clerk

IN THE

Supreme Court of the United States

OCTOBER TERM, 1955.

No. ~~485~~ //

UNITED STATES OF AMERICA,
Plaintiff,

vs.

UNITED STATES GYPSUM COMPANY; NATIONAL GYPSUM COMPANY; CERTAIN-TEED PRODUCTS CORPORATION; THE CELOTEX CORPORATION; EBSARY GYPSUM COMPANY, INC.; NEWARK PLASTER COMPANY; SAMUEL M. GLOYD, DOING BUSINESS UNDER THE NAME OF TEXAS CEMENT PLASTER COMPANY; SEWELL L. AVERY; OLIVER M. KNODE; MELVIN H. BAKER; FREDERICK G. EBSARY; AND FREDERICK TOMKINS,
Defendants.

IN RE PETITIONS OF NATIONAL GYPSUM COMPANY, ET AL., *Petitioners and Appellees, vs.* UNITED STATES GYPSUM COMPANY, *Respondent and Appellant.*

JURISDICTIONAL STATEMENT.

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Defendants.

IN RE PETITIONS OF NATIONAL GYPSUM COMPANY, ET AL., *Petitioners and Appellees, vs.* UNITED STATES GYPSUM COMPANY, *Respondent and Appellant.*

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA.

JURISDICTIONAL STATEMENT.

Appellant United States Gypsum Company (hereinafter called USG) appeals from the decree of a three-judge court of the United States District Court for the District of Columbia, entered December 9, 1954, modifying a final

decree of said Court entered May 15, 1951, and submits this Statement to show that the Supreme Court of the United States has jurisdiction of this appeal and that substantial questions are presented.

JURISDICTION.

This appeal is from a decree, entered December 9, 1954, by a three-judge court of the District Court for the District of Columbia. The decree appealed from orders modification of a final decree of that District Court entered May 15, 1951.* The final decree of May 15, 1951, terminated an action, instituted by the United States August 15, 1940, against, among others, USG, National Gypsum Company, Certain-teed Products Corporation, Newark Plaster Company and Ebsary Gypsum Company under Sections 1, 2 and 3 of the Sherman Act (Act of July 2, 1890, 26 Stat. 209, as amended; Title 15 U. S. C., Sections 1, 2, 3 and 4).**

On March 25, April 22, May 15, June 3, and June 30, 1953, respectively, appellees National, Certain-teed, Newark, Ebsary and the United States filed separate petitions in the District Court for orders or directions for the construction, carrying out or enforcement of the final decree of May 15, 1951. On September 9, 1953, USG filed its answers to each of the pending petitions, putting in issue those allegations upon which relief was claimed, and averring additional facts as affirmative defenses. The decree of the District Court in the proceeding on those petitions and answers thereto, entered without the taking

* The decree of May 15, 1951 and the decree of December 9, 1954 are printed in Appendix A, *infra*, pp. A1 and A80, respectively.

** National Gypsum Company will hereinafter be referred to as National; Certain-teed Products Corporation, as Certain-teed; Newark Plaster Company, as Newark; and Ebsary Gypsum Company, Inc., as Ebsary.

of any evidence thereon, is the appealed-from decree of December 9, 1954. A motion for a new trial was filed December 20, 1954, by USG. That motion was denied June 30, 1955, and notice of appeal was filed by USG in the District Court August 26, 1955.

The jurisdiction of the Supreme Court to review the decree of December 9, 1954, by direct appeal is conferred by Title 28, United States Code, Sections 1253 and 2101(b). The following decisions sustain the jurisdiction of the Supreme Court to review on direct appeal the decree in this case:

United States v. *United States Gypsum Company, et al.*, 333 U. S. 364 (1948) and 340 U. S. 76 (1950).

Swift & Co. v. *United States*, 276 U. S. 311 (1928).

United States v. *Swift & Co.*, 286 U. S. 106 (1932).

Missouri-Kansas Pipeline Co. v. *United States*, 312 U. S. 502 (1941).

Chrysler Corporation v. *United States*, 316 U. S. 556 (1942).

Allen Co. v. *Cash Register Co.*, 322 U. S. 137 (1944).

Ford Motor Co. v. *United States*, 335 U. S. 303 (1948).

Hughes v. *United States*, 342 U. S. 353 (1952).

OPINIONS BELOW.

The opinion of the District Court, filed June 30, 1955, denying the motion of USG for a new trial, is reported in CCH Trade Regulation Rep. ¶ 68,112, and is printed in Appendix A hereto, *infra*, p. A92.

The opinion of the District Court, filed December 9, 1954, is unreported and is printed in Appendix A hereto, *infra*, p. A82.

The opinion of the District Court, and the dissenting opinion, filed July 6, 1954, are reported in 124 F. Supp. 573, 598, and are printed in Appendix A hereto, *infra*, pp. A13 and A58.

The opinions of Judges Garrett and Jackson on granting the Government's motion for summary judgment on June 29, 1948, and the dissenting opinions of Judge Stephens with respect thereto, are printed in Appendix A, *infra*, pp. A95, A96 and A101.

QUESTIONS PRESENTED.

Where, after a civil antitrust suit in which a conspiracy to fix prices by means of patent licensing had been charged by the United States against USG and its co-defendant patent licensees, a final decree is entered against defendants, but that final decree does not bar and the Department of Justice does not oppose suits by USG to recover reasonable compensation for use made by others of USG patents prior to entry of the final decree:

(1) Would the filing of such suits by USG against the co-defendant patent licensees in the antitrust suit constitute a misuse of USG patents?

(2) Would the record in this case, including the issues joined by the 1953 petitions and answers thereto, permit adjudication, as a matter of law and without the taking of any evidence, of the issues of patent misuse or purge during all or any part of the period from February 1, 1948,* to entry on May 15, 1951, of the final decree?

---

* February 1, 1948, is the date from which USG claims compensation from the corporate appellees for use of its patents and is the approximate date from which the various corporate appellees stopped paying royalties to USG for their use of its patents. Those refusals to pay, according to the corporate appellees, were prompted by the entry on March 8, 1948, of the opinion of this Court in *United States* v. *United States Gypsum Co., et al.*, 333 U. S. 364.

(3) Would the final decree of May 15, 1951, expressly or by fair intendment, bar USG from seeking reasonable compensation on any theory for use of its patents by its co-defendant patent licensees during the period from February 1, 1948 to May 15, 1951?

(4) Would the basic purposes of the final decree in the antitrust suit authorize modification of that decree to include a provision barring USG from seeking reasonable compensation for use of its patents by its co-defendant patent licensees during the period from February 1, 1948 to May 15, 1951, and subsequent thereto?

(5) Would the District Court have, or should it have taken, jurisdiction to entertain the 1953 petitions of the co-defendant patent licensees or to enjoin suits already commenced by USG against those co-defendants?

STATUTES AND RULES INVOLVED.

Rule 8(a), (e) and (f) of the Rules of Civil Procedure for the District Courts of the United States and Title 35, U. S. C., § 271, are set forth in Appendix B hereto, *infra*, pp. B1 and B3, as is Title 15, U. S. C., Sections 1, 2 and 3 (Sherman Act), *infra*, p. B4.

STATEMENT.

USG has been engaged since 1901 in the production of gypsum and in the manufacture and sale in interstate commerce of gypsum products. Gypsum products, including gypsum plasterboard, gypsum lath, gypsum wallboard and gypsum plaster, are widely used in the construction industry. In 1929, as a part of an industry-wide settlement of multiple suits for patent infringement, agreements were signed in which USG licensed its patents in substantially identical terms to all but two companies then manufacturing gypsum board products east of the Rocky Mountains. Those agreements accorded USG control over the

price and terms of sale of all patented gypsum board manufactured and sold under the license agreements, which was substantially all gypsum board manufactured and sold in that area.

A. The Government Sues the Industry.

On August 15, 1940, the United States instituted in the court below a civil suit under the Sherman Act against USG, five other corporate defendants (including the appellee petitioners National, Certain-teed, Newark and Ebsary), and eight individual defendants. The complaint in that action charged the defendants with conspiring to restrain interstate commerce in gypsum board, gypsum plaster and miscellaneous gypsum products, and with monopolizing, attempting to monopolize and conspiring to monopolize such commerce in violation of Sections 1, 2 and 3 of the Sherman Act.

That 1940 suit thrice previously has been to this Court. In October Term 1947, the Court reversed the judgment of the District Court, made at the close of the Government's case, dismissing the complaint. In their opinion, 333 U. S. 364, 389, the Court said that the industry-wide license agreements entered into by the corporate defendants in 1929

> "with knowledge on the part of licensor and licensees of the adherence of others, with the control of prices and methods of distribution through the agreements and bulletins, were sufficient to establish a *prima facie* case of conspiracy."

The case was remanded to the District Court.

On remand the Government filed a motion for summary judgment under Rule 56, Rules of Civil Procedure. Defendants filed offers of proof negating the material facts of the complaint except the averments that the defendant

companies had entered into license agreements, industry-wide in scope, with minimum price provisions which were adhered to by the parties, with knowledge of the adherence of others.

On June 29, 1948, the District Court (Judge Stephens dissenting) ruled that the motion for summary judgment should be allowed (App. A, *infra*, pp. A95, A96, A101). Thereafter the Government filed its proposed findings of fact and conclusions of law and its proposed decree, and the various defendant companies filed objections thereto and made suggestions with respect to the form of findings, conclusions and decree to be entered. Oral arguments were had before the Court on June 13 and 14, 1949, with respect to such matters, and on November 7, 1949, the District Court entered its decree without other findings than those contained in the decree.

After a preliminary statement, the decree of November 7, 1949, found jurisdiction (Art. I); listed certain license agreements between the defendant companies (Art. II); declared that the defendant companies "have acted in concert in restraint of trade * * * to fix, maintain and control the prices of gypsum board, and have monopolized such trade in violation of Sections 1 and 2 of the Sherman Act (Art. III); adjudged the license agreements listed therein unlawful under the antitrust laws and illegal, null and void (Art. IV); enjoined the defendant companies against enforcement or performance of the license agreements and against similar violations of the antitrust laws (Art. V); provided for limited compulsory licensing (Art. VI); provided that the decree should not affect anything permitted by Act of Congress (Art. VII); approved the forms of license agreements theretofore filed with the Court by USG (Art. VIII); reserved jurisdiction of the cause (Art. IX) and provided for taxing costs (Art. X).

Both the Government and USG took direct appeals to this Court from the decree of November 7, 1949. USG appealed on the ground of its right to introduce material evidence. This Court dismissed that appeal (339 U. S. 959). The reason for the dismissal was later stated by this Court as follows:

> "* * * we read the preliminary statement of the District Court to the decree and the summary decree itself as an adjudication of violation of the Sherman Act by the action in concert of the defendants through the fixed-price licenses, accepting as true the underlying facts in defendants' proof by proffer. The trial judges understood the summary judgment to be, as Judge Stephens said, 'limited to that one undisputed question.' Judge Garrett and Judge Jackson agreed. That conclusion entitled the Government only to relief based on that finding and the proffered facts. On that basis we dismissed United States Gypsum's appeal from the decree, and on that basis we examine the Government's objection to the decree." (340 U. S. 76, 88.)

Probable jurisdiction was noted, however, on the appeal of the Government (339 U. S. 960). In that order noting probable jurisdiction, and for the same reason that they had dismissed USG's appeal, the Court affirmed Article III of the District Court decree and enjoined the corporate defendants, pending further order of the Court, from enforcing in any manner whatsoever the provisions of their license agreements fixing, maintaining or stabilizing prices of gypsum board or the terms and conditions of sale thereof, and from entering into or performing any agreement or understanding in restraint of trade and commerce in gypsum board by license agreements to fix, maintain or stabilize prices of gypsum board or by license or other concerted action arranging the terms and conditions of sale thereof.

The issues for determination on the appeal of the Government had to do with an enlargement of the provisions of the District Court decree which the court considered, granting some of the Government's requests and rejecting others. The approval by this Court of some of the Government's proposals made it necessary to reverse the decree of the District Court and to remand the cause for further proceedings in conformity with the opinion of this Court (340 U. S. 76).

After hearing argument for all parties and upon consideration of several forms of decree submitted by parties to it, a decree was entered by the District Court on May 15, 1951; which was approved as to form by plaintiff and defendants. None of the parties appealed from that final decree.

The decree of May 15, 1951, followed the general form of the prior decree of November 7, 1949, which it was replacing.* The preliminary statement was in substantially the same form except for the added reference to the proceedings following the entry of the November 7, 1949 decree. Articles I, II, III and IV were identical with those articles in the November 7, 1949 decree.

Article V enjoined the defendant companies and their respective officers, etc., from entering into or performing any agreement or understanding among them or other manufacturers of gypsum products to fix, maintain or stabilize prices or terms or conditions of sale of gypsum products "by patent license agreements or other acts or course of action," and specifically enjoined the carrying on of certain pricing and selling practices "pursuant to such an agreement or understanding." Article VI contained a provision for compulsory licensing, at reasonable

* The decree of November 7, 1949 appears at R. 12340-12347 and is abstracted in this statement, *supra*, p. 7. The decree of May 15, 1951 is printed in Appendix A, *infra*, p. A1.

royalty, under USG patents or applications for patents relating to gypsum board, then owned or controlled by USG or issued to or applied for or acquired by it within five years from the date of the decree. Article VII provided that the decree should not affect anything permitted by Act of Congress; Article VIII gave the Department of Justice certain rights of investigation; Article IX assessed costs among the defendant companies; and Article X contained the reservation of jurisdiction for the purpose of permitting application to the District Court for such orders, etc. "as may be necessary or appropriate (1) for the construction or carrying out of this decree, and (2) for the enforcement of compliance therewith."

None of the proposed findings of fact, conclusions of law or decrees submitted to the District Court by the Government or by the defendants in connection with either the decree of November 7, 1949, or the unappealed final decree of May 15, 1951, dealt in any way with the right of any person, co-conspirator or otherwise, to use USG patents without compensation during the period from the first Supreme Court opinion (333 U. S. 364, March 8, 1948) to entry of the final decree. Indeed, the amended complaint in the suit of the Government had included a prayer for relief covering an injunction against suits by USG for compensation or damages for unauthorized use of patents. However, the Government never requested during the hearings that preceded either the formulation of the November 7, 1949 decree or the final decree of May 15, 1951 that the District Court grant that relief. The prayer was obviously abandoned.

B. USG Sues Users of Its Patents.

On May 16, 1951, the day after entry of the final decree by the District Court, USG wrote each of its co-defendant licensees saying that it intended to comply strictly with the provisions of the decree in every respect and, referring to the old license contracts, noted that all their provisions have "heretofore become and now are wholly cancelled and of no effect." In its letters USG also referred to the fact that royalties had not been paid under such agreements nor had USG sought to collect such royalties, but it had merely "stood upon our right to be compensated for the reasonable value of any use you may have made of our patents."

None of the defendant licensees thereafter made any move to challenge this position before the Court or otherwise. National and Certain-teed subsequently made applications, pursuant to the provisions of Article VI of the final decree, for licenses under certain patents of USG, which licenses were granted. Those licenses were effective as of the date of the decree (May 15, 1951), and provided for royalty at one per cent (1%) of the selling price of all gypsum board manufactured and sold thereunder embodying or made by the use of the inventions set forth and claimed in the patents.

In letters from USG originally submitting a form of license to National and to Certain-teed pursuant to their respective applications therefor, and in letters transmitting the new licenses for final excecution, and in letters acknowledging receipt of the first royalty payments thereunder, USG made it clear that nothing done in that connection should be construed as a waiver or release of any claim USG might have against the licensee for any use which such licensee may have theretofore made of any USG patents. National signed and returned its license

without question; Certain-teed signed and returned its license "without recognition or acceptance of the existence or validity" of any such claim. Neither Newark nor Ebsary ever have applied for a license pursuant to Article VI of the final decree nor have they ever compensated USG for their continued use of USG patents since 1948.

When it became obvious that National, Certain-teed, Newark and Ebsary did not intend to pay for their use of USG patents during the 1948-51 period, USG was faced with the alternatives of bringing suits to recover or of forfeiting its claims.*

Accordingly, on January 28, 1953, USG sued National in the United States District Court for the Northern District of Iowa; on January 30, 1953, it sued Newark in the United States District Court for the District of New Jersey; on February 28, 1953, it sued Ebsary in the United States District Court for the Southern District of New York; and on March 11, 1953, it sued Certain-teed in the United States District Court for the Northern District of Iowa.

When USG determined to sue, it became necessary to draft a complaint that would meet all factual situations that might develop upon the trial of the case. Clearly, if it could be established that the license agreements had been abandoned and repudiated by the parties following the first decision of this Court, then, of course, the subsequent use of the patents laid the users open to liability on a *quantum meruit* or infringement count. On the other hand, if USG were to confine its claim to one of *quantum meruit* or infringement and a defendant was to defend by

* Although the statute of limitations for patent infringement is fixed by Federal statute at six years, the statutory period in the State of Iowa, for example, for claims on express contracts, or contracts implied by law, is five years (Iowa Laws, 1950, Ch. 614).

claiming the right to use the patent under its old license agreement,* USG would be confronted with the possibility of a court concluding that there was an unasserted claim under the contract that defeated recovery on *quantum meruit* or for infringement.**

Thus, each complaint in those four suits contains a count for royalties due for actual use of the plaintiff's patents, based on the royalties provided for under the prior license agreement between USG and the respective defendant (Count I); a count for such royalties due under such agreement, as amended (Count II); a count of *indebitatus assumpsit*, for recovery of compensation for the actual use of USG's patents under circumstances from which the law would imply a promise to pay (Count III); a count of *quantum meruit*, seeking recovery of reasonable value for use of USG patents (Count IV); and a count or counts for their infringement (Counts V, VI). Since the granting of licenses, both before and after the period covered by the respective complaints had established, by arm's length negotiations, the reasonable value of the use of the patents at 1% of the purchase price of the product embodying or made by use of the patents licensed, and since recovery under each count was limited to board involving actual use of the patents, the *ad damnum* in the various counts was the same, except in the *quantum meruit* and infringement counts

* The eighth defense of National to Count V of the Iowa suit actually raises this very defense.

** That such a possibility existed seemed likely for two reasons: first, the District Court did not strike down the USG license agreements because they were inherently illegal or improper, but rather because of a conspiracy established by the concerted action among the defendant companies, which conspiracy was collateral to each separate license agreement as such; and, second, the royalty provisions of those license agreements are severable from the price limitation provisions and therefore could be deemed to support recovery of royalties during the period the license was in effect, even though USG would not be able to enforce the price-fixing provisions.

of the Newark and Ebsary suits where a longer period of time was involved since those companies never took the licenses authorized by Article VI of the decree, but continued, nonetheless, to use USG patents after the date of the final decree of May 15, 1951.*

Answers were filed by National and Certain-teed in their respective suits joining issue on all material averments and pleading specially, among other things, that each suit was barred by the final decree of May 15, 1951. Proceedings were stayed in the two suits in the Iowa court pending the outcome of the instant proceeding. Issue has not as yet been joined in the Newark and Ebsary suits.

C. Appellees Petition the District Court.

Commencing with the petition filed by National on March 25, 1953, each of the corporate appellees (the defendants in the suits brought by USG) had by June 3, 1953, filed separate petitions in the court below. The petition of National sought an adjudication that the suit brought against it by USG for compensation for the actual use of USG patents between 1948 and 1951 was in violation of the final decree of May 15, 1951, and, in the alternative, urged that the final decree be modified by an order, compelling dismissal of the USG suit, with prejudice, and enjoining USG from instituting any other suit seeking compensation for the use of USG patents by National for any period of time prior to May 15, 1951.

The petition filed by Certain-teed on April 22, 1953, was substantially identical with that of National in its theory of and prayer for relief. The two petitions filed May 15, 1953 and June 3, 1953, respectively, by Newark

* Substantial amounts are claimed by USG. Thus, it seeks to recover the amount of $1,600,000 from National; the amount of $100,000 from Ebsary; the amount of $120,000 from Newark; and the amount of $650,000 from Certain-Teed.

and Ebsary were also closely similar to the National petition, except that they not only prayed that the claims of USG for use of its patents in the period prior to entry of the final decree be barred but also asked that the District Court bar USG claims for use of its patents in the two-year period subsequent to May 15, 1951.

At a preliminary hearing June 9, 1953, the corporate petitioners assured the District Court that they made no claim of antitrust violation by USG, except as the filing by USG of its suits for reasonable compensation might be considered such a violation.

On June 30, 1953, the United States also petitioned the court below. It asked that the District Court hold as barred by the final decree of May 15, 1951, any recovery by USG in its compensation suits that was based on the license agreements that were adjudged illegal, null and void by Article IV of the final decree. However, the petition of the United States expressly stated that in so far as any compensation suits by USG asserted claims for the reasonable value of the use of the USG patents or for due compensation for the infringement of such patents (being Counts III, IV and V in the National and Certain-teed suits, and Counts III, IV, V and VI in the Newark and Ebsary suits), the United States took no position as to whether such alternative claims were barred by the final decree of May 15, 1951, or as to whether the District Court should enter an order enjoining USG from prosecuting such alternative claims.

On July 6, 1954, the District Court, one judge dissenting, filed an opinion, ruling, among other things, that further prosecution of the USG suits should be enjoined. On December 9, 1954, the District Court, without having taken any evidence on the factual issues raised by the 1953 petitions and the answers of USG thereto, entered a decree,

amending the final decree of May 15, 1951, by adding to it a paragraph directing USG to dismiss, with prejudice, its pending actions against the four corporate petitioners.*

D. The Bases of the Decree of December 9, 1954.

The District Court decree of December 9, 1954, modifying the final judgment of May 15, 1951, rests upon a few simple facts and legal postulates. First, the court below noted that in the USG compensation suits against the corporate appellees, Counts I and II of each of the four USG complaints are based, directly or indirectly, upon the terms of the license agreements proscribed by the final decree of May 15, 1951; that Count III of those complaints is a common law count of *indebitatus assumpsit,* upon a pleaded express contract, the terms of which are so stated as to bring about recoveries identical with those that would be accorded by action brought upon the proscribed agreements; that Count IV of the USG complaints is for *quantum meruit,* covering the use by defendants of USG patents; and that Counts V and VI of the USG complaints allege infringement of USG patents [Findings 27-30; *infra,* App. A, p. A73]. Second, the District Court recognized that the corporate appellees had based their petitions upon three grounds—upon the terms of the final decree of May 15, 1951; upon a theory of misuse of patents; and upon a plea that District Court action could prevent a multiplicity of

* The three-judge court which had entered the final decree of May 15, 1951, had consisted of Judge Harold M. Stephens, Judge Finis J. Garrett and Judge Joseph R. Jackson. On May 7, 1953, Judge William P. Cole replaced Judge Jackson on the three-judge court, and, on December 1, 1953, Judges Stephens and Garrett resigned, to be replaced, respectively, by Judge Kimbrough Stone and Judge Eugene Worley. Thus, the personnel of the three-judge court that entered the decree of modification on December 9, 1954, was entirely different from that which had heard the case originally and had entered the decree of November 7, 1949, and the final decree of May 15, 1951.

suits [Finding 36; *infra,* App. A, p. A75]. And, finally, the District Court premised that if in, or after, the period for which USG sought compensation, USG had misused its patents, prosecution of the compensation suits would weaken the final decree and should be barred.

After making the observations set forth above, the District Court then reasoned that inasmuch as Article IV of the final decree had nullified the license agreements upon which USG had bottomed Counts I and II of its complaints, USG should be enjoined from prosecuting those Counts [Conclusion 7; *infra,* App. A, p. A77].

But the District Court also concluded that Article IV of the final decree

> "did not expressly nor impliedly cover the character of suits now brought by USG for infringement or for *indebitatus assumpsit* or for *quantum meruit.* It neither allowed nor forbade such." [Conclusion 7; *infra,* App. A, p. A77.]

Despite its conclusion that the final decree of May 15, 1951, did not proscribe recovery under those three additional legal theories, the District Court nonetheless modified that final decree to require such proscription. Thus, it disposed of the *indebitatus assumpsit* count

> "as a left-handed, indirect method for recovering the royalties provided in the illegal license agreements." [Conclusion 14; *infra,* App. A, p. A78.]*

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* The District Court in its Conclusion 14, as well as in its Finding 28 that Count III was upon a pleaded express contract the terms of which were so stated as to bring about identical recoveries with those that would be accorded by action upon the proscribed agreements, apparently overlooked the fact that Count III expressly avers a rescission of the old license contracts and seeks recovery for use of the patents after such rescission, and therefore for a period not covered in any way by the old license contracts.

It disposed of the *quantum meruit* count on the ground that

> "the attempt by USG to enforce the royalty provisions of the illegal patent license agreements is a clear misuse of its patents [and] * * * the *quantum* counts, are enjoined on the basis of preventing recovery in a multiplicity of suits wherein the misuse of the patents * * * is shown, as a matter of law to exist and not to have been purged." [Findings 13, 15; *infra*, App. A, p. A78.]

Prosecution of the USG suits in so far as they were based on patent infringement was enjoined

> "both because of the practical and legal situation in the case, and also, [because of] the teaching in the *Hartford-Empire* case."* [Finding 16; *infra*, App. A, pp. A78-A79.]

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* That the District Court concluded that the mere pleading by USG of Counts I and II of its complaints in the compensation suits constituted a misuse of patents is amply borne out by its opinion of July 6, 1954, and by its findings and conclusions of December 7, 1954."

Thus, in its opinion of July 6, 1954, the District Court observed (*infra*, App. A., p. A56):

> "The USG suits now pending show conclusively that even yet it is striving to enforce the royalty provisions of the illegal patent license agreements.
>
> "We think such an attempt is clear misuse of its patents. * * *"

In its findings and conclusions of December 7, 1954, the District Court observed (*infra*, App. A., p. A78):

> "The course of conduct of USG, * * * must be construed as meaning that USG has continued after May 15, 1951, to misuse its patents by seeking recovery, directly and indirectly, on the illegal license agreements up to this time. The attempt by USG to enforce the royalty provisions of the illegal patent license agreements is clear misuse of its patents; such misuse yet continues; and to allow prosecution of these suits, would weaken the effectiveness of the Final Decree." [Conclusion 13.]

THE QUESTIONS ARE SUBSTANTIAL.

The District Court noted that this proceeding involves problems akin to those raised in *Hartford-Empire Co., et al.* v. *United States,* 323 U. S. 386, and *Hartford-Empire Co., et al.* v. *United States,* 324 U. S. 570. Those decisions held that corporate defendants, by a system of patent license agreements, had pooled patents in violation of Sections 1 and 2 of the Sherman Act and Section 3 of the Clayton Act. Findings in that case, affirmed by this Court, declared that, as a result of such illegal patent control, the invention of glass-making machinery had been discouraged and competition in the licensing of such machinery as well as competition in the manufacture of unpatented glassware had been suppressed. *Hartford-Empire Co., et al.* v. *United States,* 323 U. S. 386, 400.

Despite those consequences of concerted patent misuse, this Court declared that the patent licensor, Hartford-Empire, unless it had "been guilty of some added violation of the antitrust laws" during the pendency of the litigation, was entitled to recover reasonable compensation for use by others in that period of its valid patents.

This much of the rationale of the *Hartford-Empire* case the court below seems to have accepted. That court erred, however, by concluding that USG had misused its patents, and thus committed an added violation of the anti-trust laws, by "seeking recovery, directly and indirectly [in its compensation suits], on the illegal license agreements." That conclusion put the decision of the District Court in conflict with (a) the rulings of this Court in the *Hartford-Empire* case; (b) the requirements of the *Rules of Civil Procedure for the District Courts of the United States,*

particularly Rule 8 thereof (*infra*, App. B, p. B1); and (c) the provisions of Title 35, U. S. C., § 271 (d) (*infra*, App. B, p. B3).

1. This Court in the *Hartford-Empire* case recognized that it is not a violation *per se* of the antitrust laws for a patentee that has licensed its patents under illegal agreements to seek reasonable compensation for use made of those patents during the pendency of antitrust litigation. Thus, in its first opinion in the *Hartford-Empire* case (323 U. S. 386, 411), this Court directed that Hartford-Empire be paid those royalties that during the pendency of that case would have gone to it under the terms of its illegal license agreements, but which, in fact, had been collected by a court-appointed receiver. The Government petitioned for a rehearing from that decision, asserting that there were ambiguities in the final decree. This Court then, with appropriate instructions, ordered the District Court to supervise the turn-over to Hartford-Empire of the royalties. Under its instructions from this Court, the principal duty of the District Court was to decide whether Hartford-Empire, during the pendency of the litigation, had been guilty of some added violation of the antitrust laws that disqualified it from collecting compensation for the use of its patents in that period. This Court did not regard assertion by Hartford-Empire of claims for use made of its patents while litigation was pending as misuse of those patents in violation of the antitrust laws. And the District Court, when it found that Hartford-Empire had not violated the antitrust laws *pendente lite*, ultimately ordered a substantial part of the royalties that had been collected by the receiver to be paid over to Hartford-Empire.

In the *Hartford-Empire* case, this Court made clear that

the relevant criteria for determining whether to allow reasonable compensation to a patentee for use by others of its valid patents during pendency of an antitrust suit must be sought in that part of the record that illuminates the consequence of the claimed recovery upon the economy and upon the purposes of the patent laws. *Hartford-Empire Co., et al.* v. *United States,* 323 U. S. 386, 409, 415. Under such a test, the record in this case leaves groundless any conclusion to withhold the reasonable compensation claimed by USG. As has been noted, the corporate appellees have conceded that USG did not fix or attempt to fix any price subsequent to 1941 under the patent license agreements and did not in any other way misuse its patents during the pendency of the antitrust litigation. Moreover, this Court noted, when passing on the appeal of the Government from the final decree of November 7, 1949, that both that summary decree and its underlying adjudication of violation of the Sherman Act accepted

> "as true the underlying facts in defendants' proof by proffer * * * That conclusion entitled the Government only to relief based on that finding [the Sherman Act violation] and the proffered facts."

The proffered facts that underlay the final decree of November 7, 1949, and that alone underlie the final decree of May 15, 1951, and the appealed-from decree of December 9, 1954, established that the proscribed license agreements were entered into to dissolve complicated conflicts over patents that theretofore had been thwarting development of wallboard technology. The record does not support an inference that freedom of entrance had been foreclosed to any of those segments of the economy affected by the illegal patent licenses. The record does not support

a claim that there had ever been exorbitant royalty charges. Indeed, the "reasonable" royalties that have been paid under the compulsory patent license agreements granted by USG since the final decree of May 15, 1951, are calculated at the same rate, as to the patented goods, as were the royalties charged under the outlawed agreements.

On facts favoring compensation that were far less persuasive than those in the instant action, this Court, in the *Hartford-Empire* case, held itself compelled to order reasonable compensation to be paid to the patentee. The decree below is in conflict, therefore, with the decision of this Court in the *Hartford-Empire* case.

2. The decision below, also, raises substantial questions involving the *Rules of Civil Procedure in District Courts of the United States,* particularly Rule 8 thereof. Those important questions arise because the District Court held both that the final decree of May 15, 1951, did

> "* * * not expressly nor impliedly cover the character of suits now brought by USG for infringement or for *indebitatus assumpsit* or for *quantum meruit*"

and that

> "The USG suits now pending show conclusively that even yet it is striving to enforce the royalty provisions of the illegal patent license agreements.
> "We think such an attempt is clear misuse of its patents * * *."

The District Court did not regard those twin holdings as anomalous, because, to the District Court, the mere pleading by USG of Counts I and II in its compensation suits amounted to a misuse of patents.

But at least since 1938, it has been the rule in courts of the United States that the statement of separate causes of

action or counts in a pleading is only a statement of the same claim in the light of different legal theories. Although "count" pleading is permitted under federal practice, the sole function of a complaint in a District Court is to give "a simple statement in sequence of the events which have transpired, coupled with a direct claim by way of demand for judgment of what the plaintiff hopes and expects to recover." *Gins* v. *Mauser Plumbing Supply Co., Inc.*, 148 F. 2d 974, 976 (2d C. A. 1945). Once a plaintiff has so stated his claim, the final theory of recovery is for the court rather than the pleader. This concept of federal pleading is clearly expressed in Rule 8 of the Rules of Civil Procedure.*

The Government has implicitly acknowledged the correctness of the above analysis. The petition of the Government only requested that the District Court expressly adjudge that the proscribed license agreements could not be used to bottom any theory of recovery to USG. The Government raised the plausible objection that when a court has declared a patent licensing contract "illegal, null and void" under the antitrust laws, that decision should remove the patent license as a font of rights justifying payment of royalties.

But to accept the contention of the Government does not force, as the Government recognized, the conclusion that the mere alternative submission of such a legal theory to a court is a misuse of patents. Engrossment in a federal

* Thus, Subsection (a) of Rule 8 reads:

"Relief in the alternative or of several different types may be demanded."

and Subsection (e) of the same Rule allows a party to

"* * * set forth two or more statements of a claim * * * alternatively or hypothetically, either in one count * * * or in separate counts. * * *"

pleading of a count on contracts debilitated by an antitrust decree cannot be, under modern concepts of pleading, a misuse of those patents that the contracts purport to license.

Since inclusion of a count on the proscribed agreements cannot, under the rules that govern federal pleading, bar recovery on other appropriate theories, it follows that the decree of December 9, 1954, is erroneous.

3. The decision of the District Court that a continuing misuse by USG of its patents exists, as a matter of law, because USG seeks compensation from its co-conspirators for their use of USG patents, conflicts with the public policy now conclusively established by the recent codification of the patent laws.* Title 35, U. S. C. § 271(d), provides in its relevant portions:

> "No patent owner otherwise entitled to relief for infringement * * * shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: * * * (3) sought to enforce his patent rights against infringement or contributory infringement."

A patentee's right to receive compensation for either authorized or unauthorized use of its patents is clearly an enforcible right within the meaning of the new codification. Since it is the declared policy of that codification that the mere bringing of a patent infringement suit is not misuse, then *a fortiori*, a suit, pleading counts on a license agreement (such as Counts I and II), solely for the recovery of money does not in itself constitute a misuse.

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* This codification (Title 35, U. S. Code) of the patent laws went into effect January 1, 1953. The USG compensation suits were filed thereafter.

Moreover, this disregard of Section 271(d) conflicts with Article VII of the final decree of May 15, 1951, which expressly provides that nothing contained in the decree shall be deemed to have any effect upon the operation or activities of the defendants which are authorized or permitted by any present or future Act of Congress, or any amendment thereto (*infra,* Appendix A, pp. A10-A11).

4. This Court, while acknowledging their adherence to trial court responsibility in the molding of antitrust decrees designed to restore freedom of interstate trade, has never treated that trial court power as one of discretion, subject to reversal only for gross abuse. *United States* v. *United States Gypsum Co., et al.,* 340 U. S. 76, 89. The Supreme Court has recognized an obligation to examine the decretal phase of all such cases on a showing that there is likelihood that inappropriate provisions have been imbedded in a final decree. *Standard Oil Co.* v. *United States,* 221 U. S. 1, 78-82; *United States* v. *American Tobacco Co.,* 221 U. S. 106, 184-188; *United States* v. *Crescent Amusement Co.,* 323 U. S. 173, 185-187; note especially *Hartford-Empire Co., et al.* v. *United States,* 323 U. S. 386, 409-435.

It is submitted that the decree of the District Court of December 9, 1954, is inappropriate for failure to recognize the rule of decision of this Court in *Hartford-Empire Co., et al.* v. *United States,* 323 U. S. 386, and *Hartford-Empire Co., et al.* v. *United States,* 324 U. S. 570; for conflict with accepted law regarding pleading in federal courts, particularly with Rule 8 of the Rules of Federal Procedure in the District Courts of the United States; for disregard of express provisions of Title 35, U. S. C., § 271(d); and for disposing of the misuse and purge issues as a matter

of law and without the taking of any evidence. We believe that the questions presented by this appeal are substantial and that they are of public importance.

Respectfully submitted,

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APPENDIX A.

FINAL DECREE, MAY 15, 1951.

IN THE UNITED STATES DISTRICT COURT
For the District of Columbia.

UNITED STATES OF AMERICA, *Plaintiff,* *vs.* UNITED STATES GYPSUM COMPANY; NATIONAL GYPSUM COMPANY; CERTAIN-TEED PRODUCTS CORPORATION; THE CELOTEX CORPORATION; EBSARY GYPSUM COMPANY, INC.; NEWARK PLASTER COMPANY; SAMUEL M. GLOYD, Doing Business Under the Name of TEXAS CEMENT PLASTER COMPANY; SEWELL L. AVERY; OLIVER M. KNODE; MELVIN H. BAKER; FREDERICK G. EBSARY; and FREDERICK TOMKINS, *Defendants.*	Civil Action No. 8017.

PRELIMINARY STATEMENT.

This cause came on for trial before this Court on November 15, 1943. At the conclusion of plaintiff's presentation of the case, defendants moved, pursuant to Rule 41(b) of the Federal Rules of Civil Procedure, for judgment dismissing the complaint on its merits. The motion of defendants was granted August 6, 1946. The judgment so rendered by this Court was reversed by the Supreme Court of the United States, and the case was remanded to this Court for further proceedings in conformity with the opinion of the Supreme Court (333 U. S. 364).

Following the remand, the plaintiff, pursuant to Rule 56 of the Federal Rules of Civil Procedure, moved for summary judgment in its favor upon the pleadings and all of the proceedings which theretofore had been had in the

case, or, in the alternative, for such further proceedings as this Court might direct, and defendants, by direction of the Court, filed proffers of proof.

Argument by counsel for the respective parties upon the motion of plaintiff was heard by the Court, and after due consideration of such argument and of defendants' proffers of proof, Garrett, J. and Jackson, J., constituting a majority of the Court, announced a ruling to the effect that plaintiff's motion for summary judgment would be granted, and Stephens, J., who presided during the trial, announced his dissent from such ruling.

Thereafter counsel for plaintiff and counsel for certain of the defendants submitted forms of final decrees for the consideration of the Court and also suggested findings of fact, the latter to be considered in the event the Court should deem it necessary to make any findings of fact additional to those originally found by it and to those stated in the opinion of the Supreme Court.

In due course, the Court heard arguments respecting the proposed decrees and the suggested findings of fact, and full consideration was given thereto and to all prior proceedings—all being considered in the light of the decision of the Supreme Court which, as understood by the majority of this Court, held that the defendants acted in concert to restrain trade and commerce in the gypsum board industry and monopolized said trade and commerce among the several states in that section hereinafter referred to as the eastern territory of the United States, which section embraces all the states of the United States westward from the eastern coast thereof to the Rocky Mountains and including New Mexico, Colorado, Wyoming, and the eastern half of Montana.

Thereafter this Court, on November 7, 1949, entered its decree sustaining plaintiff's motion for summary judgment and granting relief which it deemed appropriate to

its adjudication. Plaintiff thereupon appealed to the Supreme Court seeking to have the scope of the relief enlarged, and certain defendants appealed to the Supreme Court for a reversal of the judgment, which latter appeal was dismissed by the Supreme Court on May 29, 1950. On November 27, 1950, the Supreme Court rendered an opinion on the plaintiff's appeal, affirming this Court's adjudication of Sherman Act violation, holding there was concerted action through the fixed-price licenses and accepting as true the underlying facts in the defendants' proof by proffer. Nevertheless, the Supreme Court reversed the decree heretofore entered herein and remanded the cause to this Court with instructions to modify its decree and for further proceedings in conformity with its opinion.

Upon remand, this Court, after ordering counsel for the plaintiff and for the defense to submit forms of decree in conformity with the Supreme Court opinion and after considering such forms has modified its decree of November 7, 1949, in accordance with the Supreme Court's opinion of November 27, 1950.

DECREE.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED:

ARTICLE I.

This Court has jurisdiction of the subject matter hereof and of the parties hereto. The complaint states a cause of action against defendants under the Act of Congress of July 2, 1890, entitled "An Act to Protect Trade and Commerce Against Unlawful Restraints and Monopolies," commonly known as the Sherman Antitrust Act, and acts amendatory thereof and supplemental thereto.

ARTICLE II.

As used in this decree:

1. "Defendant companies" shall mean all of the corporate defendants and Samuel M. Gloyd, doing business under the name of Texas Cement Plaster Company.

2. "Gypsum board" shall mean plaster board, lath, wallboard, special surface board, sheathing, liner board (including any such product which is perforated or metalized) made from gypsum.

3. "Gypsum products" shall mean gypsum board as defined in the preceding paragraph, and plaster, block, tile and Keene's cement made from gypsum.

4. "Patents" shall mean United States Letters Patent and applications for United States Letters Patent relating to gypsum board, its processes, methods of manufacture or use, now owned or controlled by defendant United States Gypsum Company and issued to, applied for or acquired by defendant United States Gypsum Company within a period of five (5) years from the date of this decree, including Letters Patent issued upon any of said applications, and continuations in whole or in part, renewals, reissues, divisions and extensions of any such Letters Patent or applications for Letters Patent.

5. "Patent Licenses" shall mean the patent license agreements which were in effect between defendant United States Gypsum Company and each of the other defendant companies at the time the complaint herein was filed and described in said complaint as follows:

Agreement dated October 15, 1929, between United States Gypsum Company, as licensor, and Certain-teed Products Corporation, as licensee;

Agreement dated October 17, 1929, between United States Gypsum Company, as licensor, and National Gypsum Company, as licensee;

Agreement dated October 18, 1929, between United States Gypsum Company, as licensor, and Ebsary Gypsum Company, as licensee;

Agreement dated November 5, 1929, between United States Gypsum Company, as licensor, and Universal Gypsum and Lime Company (National Gypsum Company, as Assignee), as licensee;

Agreement dated November 25, 1929, between United States Gypsum Company, as licensor, and American Gypsum Company (The Celotex Corporation, as Assignee), as licensee;

Agreement dated April 23, 1930, between United States Gypsum Company, as licensor, and Kelley Plasterboard Company (Newark Plaster Co., as Assignee), licensee;

Agreement dated February 10, 1937, between United States Gypsum Company, as licensor, and Texas Cement Plaster Company, as licensee;

Agreement dated October 5, 1934, between United States Gypsum Company, as licensor, and National Gypsum Company, as licensee (Metallized board);

Agreement dated October 12, 1934, between United States Gypsum Company, as licensor, and Kelley Plasterboard Company (Newark Plaster Company, as Assignee), as licensee (Metallized board);

Agreement dated November 2, 1934, between United States Gypsum Company, as licensor, and Certainteed Products Corporation, as licensee (Metallized board);

Agreement dated December 4, 1934, between United States Gypsum Company, as licensor, and American Gypsum Company (The Celotex Corporation, as Assignee), as licensee (Metallized board);

Agreement dated August 14, 1935, between United States Gypsum Company, as licensor, and Ebsary Gypsum Company, as licensee (Metallized board);

Agreement dated June 8, 1938, between United States Gypsum Company, as licensor, and Certainteed Products Corporation, as licensee (Perforated lath);

Agreement dated September 16, 1938 between

United States Gypsum Company, as licensor, and Certain-teed Products Corporation, as licensee (Perforated lath);

Agreement dated February 2, 1937, between United States Gypsum Company, as licensor, and Ebsary Gypsum Company, as licensee (Perforated lath);

Agreement dated September 16, 1938, between United States Gypsum Company, as licensor, and Ebsary Gypsum Company, as licensee (Perforated lath);

Agreement dated June 23, 1937, between United States Gypsum Company, as licensor, and Kelley Plasterboard Company (Newark Plaster Company, as Assignee), as licensee (Perforated lath);

Agreement dated January 3, 1939, between United States Gypsum Company, as licensor, and Newark Plaster Company, as licensee (Perforated lath);

and any supplement or amendment to any of said patent license agreements.

ARTICLE III.

The defendant companies have acted in concert in restraint of trade and commerce among the several states in the eastern territory of the United States to fix, maintain and control the prices of gypsum board and have monopolized trade and commerce in the gypsum board industry in violation of sections 1 and 2 of the Sherman Antitrust Act.

ARTICLE IV.

Each of the license agreements listed in Article II hereof is adjudged unlawful under the anti-trust laws of the United States and illegal, null and void.

ARTICLE V.

The defendant companies, and their respective officers, directors, agents, employees, representatives, subsidiaries, and any person acting or claiming to act under, through or for them, or any of them, be and each of them hereby is enjoined from entering into or performing any agreement or understanding among the defendant companies or other manufacturers of gypsum products to fix, maintain or stabilize, by patent license agreements or other acts or course of action, the prices, or the terms or conditions of sale, of gypsum products sold or offered for sale to other persons, in or affecting interstate commerce; and from engaging in, pursuant to such an agreement or understanding, any of the following acts or practices:

(1) agreeing upon any basis for the selection or classification of purchasers of gypsum products;

(2) refraining from selling gypsum products to any purchaser or any class of purchasers;

(3) agreeing upon any plan of selling or quoting gypsum products at prices calculated or determined pursuant to a delivered price plan which results in identical prices or price quotations at given points of sales or quotation by defendants using such plan;

(4) policing, investigating, checking or inquiring into the prices, quantities, terms or conditions of any offer to sell or sale of gypsum products.

ARTICLE VI.

1. Defendant United States Gypsum Company is hereby ordered and directed to grant to each applicant making application therefor, but only in so far as it has the right to do so, a non-exclusive license to make, use and vend under any, some or all patents as hereinbefore defined, at a reasonable, non-discriminatory royalty or royalties therefor. Defendant United States Gypsum Company is hereby

enjoined from making any sale or other disposition of any of said patents which deprives it of the power or authority to grant such licenses unless it requires as a condition of such sale, transfer or assignment that the purchaser, transferee or assignee shall observe the requirements of Articles VI and VIII of this decree, and unless the purchaser, transferee or assignee shall file with this Court, prior to or as a part of the consummation of said transaction, an undertaking to be bound by said articles of this decree.

2. Defendant United States Gypsum Company is hereby enjoined from including any restriction or condition whatsoever in any license or sublicense granted by it pursuant to the provisions of this article, except that (a) the license may be indivisible and non-transferable; (b) a reasonable, non-discriminatory royalty may be charged, which royalty may not be imposed upon or measured by patent-free products, processes or uses; (c) provision may be made requiring licensee to keep full and accurate records of the gypsum board manufactured and sold by it under any such patent and requiring licensee to make appropriate reports to licensor as to the royalty due, but such reports shall not disclose the selling price of the board or disclose a breakdown of the size or thickness of the board sold; (d) reasonable provision may be made for periodic inspection of the books and records of the licensee by an independent auditor, or by any person acceptable to the licensor and licensee, who shall report to the licensor only the amount of royalty due and payable; (e) reasonable provision may be made for marking the gypsum board manufactured or sold under the licensed patent; and (f) reasonable provision may be made for cancellation of the license upon failure of the licensee to pay the royalty or to permit the inspection of its books and records or for other material breach of the terms of the license agreement by licensee, or in the event licensee shall be adjudged a bank-

rupt. The license agreement shall be in writing signed by the parties thereto and shall to the extent that licensor has the right to do so, grant to the licensee the full right to make, use and vend the inventions and improvements described in the claims of each patent licensed, in the manufacture, sale or use of gypsum board, for the full term of the patent and any renewal, reissue, division, or extension thereof, and may contain the provisions hereinabove set forth and such other lawful provisions as may be agreed upon between the parties thereto and which are not in conflict with any of the provisions of this decree.

3. Upon receipt of written request for such a license defendant United States Gypsum Company shall advise the applicant in writing of the royalty which it deems reasonable for the patent or patents to which the request pertains. If the parties are unable to agree upon a reasonable royalty within sixty (60) days from the date such request for a license was received by United States Gypsum Company, the applicant therefor shall within ten (10) days thereafter apply to this Court for a determination of a reasonable royalty or be deemed to have abandoned his said request for such license. The applicant shall promptly give written notice of the filing of such application to the United States Gypsum Company and to the Attorney General of the United States, who shall have the right to be heard thereon. The reasonable royalty rate or rates so determined by the court shall apply to such patent or patents in the license of the applicant from the date of his last written request for such license, and to such patent or patents in all other licenses then or thereafter issued under this decree from the date of such determination. Pending the completion of any such proceeding, applicant shall have the right to make, use and vend under the patent or patents to which his application pertains upon the terms and conditions as set forth in paragraph 4 of this Article, provided

he files his application for the determination of a reasonable royalty as aforesaid.

4. Where an application has been made to this Court for the determination of a reasonable royalty under paragraph 3 of this Article, the applicant or the United States Gypsum Company may apply to the court to fix an interim royalty rate pending final determination of what constitutes a reasonable royalty. If the court fixes such interim royalty rate, United States Gypsum Company shall then issue and the applicant shall accept an interim license agreement effective as of the date of the applicant's last written request for such license hereunder and in the form this day filed herein and approved by the court, providing for the periodic payment of royalties at such interim rate from the effective date of such interim license. If applicant fails to accept such interim license or fails to pay the interim royalty in accordance therewith, any such action or omission shall be grounds for the dismissal of the application for the determination of a reasonable royalty and the withdrawal or cancellation of the interim license. Where an interim license has been issued pursuant to this paragraph, reasonable royalty rates for any patent or patents as finally determined by the court shall apply to such patent or patents in the licenses of the applicant and all other applicants then before the court and shall be retroactive with respect to each such applicant to the date of his said written request for such license.

Article VII.

Nothing contained in this decree shall be deemed to have any effect upon the operations or activities of said defendants which are authorized or permitted by the Act of Congress of April 10, 1918, commonly called the Webb-Pomerene Act, or the Act of Congress of August 17, 1937,

commonly called the Miller-Tydings Act, or by any present or future act of Congress or amendment thereto; provided, however, nothing contained in this Article shall in any manner affect the provisions of Article VI of this decree.

ARTICLE VIII.

For the purpose of securing compliance with this decree, and for no other purpose, duly authorized representatives of the Department of Justice, upon written request of the Attorney General or any Assistant Attorney General, and on reasonable notice in writing addressed to any defendant company at its principal office, shall be permitted, subject to any legally recognized privilege: (a) access during the office hours of said defendant to all books, ledgers, accounts, correspondence, memoranda, and other records and documents in its possession or under its control relating to any of the matters contained in this judgment; (b) subject to the reasonable convenience of said defendant and without restraint or interference from it, to interview officers or employees of said defendant regarding any of the matters contained in this judgment; provided, however, that either said defendant or any such officer or employee may have counsel present at any such interview. No information obtained by the means permitted in this Article shall be divulged by any representative of the Department of Justice to any person other than a duly authorized representative of the Department of Justice, except in the course of legal proceedings in which the United States of America is a party, for the purpose of securing compliance with this decree or as otherwise required by law.

ARTICLE IX.

Judgment is entered against the defendant companies for 50% of the costs of $2,824.00 to be taxed in this proceeding, and the costs so to be taxed are hereby prorated against the several defendant companies as follows:

United States Gypsum Company	$776.60
National Gypsum Company	324.76
Certain-teed Products Corporation	155.32
The Celotex Corporation	42.36
Ebsary Gypsum Company, Inc.	42.36
Newark Plaster Company	56.48
Samuel M. Gloyd, doing business under the name of Texas Cement Plaster Company	14.12

ARTICLE X.

Jurisdiction of this cause, and of the parties hereto, is retained by the Court for the purpose of enabling any of the parties to this decree, or any other person, firm or corporation that may hereafter become bound thereby in whole or in part, to apply to this Court at any time for such orders, modifications, vacations or directions as may be necessary or appropriate (1) for the construction or carrying out of this decree, and (2) for the enforcement of compliance therewith.

Let the decree be entered.

HAROLD M. STEPHENS,
FINIS J. GARRETT,
JOSEPH R. JACKSON.

May 15, 1951.

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MAJORITY OPINION.

Filed Jul. 6, 1954, Harry M. Hull, Clerk

IN THE UNITED STATES DISTRICT COURT
For the District of Columbia.

United States of America, *Plaintiff*,
vs.
United States Gypsum Company, et al., *Defendants*.
No. 8017 Civil

PETITIONS OF THE UNITED STATES, NATIONAL GYPSUM CO., CERTAIN-TEED PRODUCTS CORPORATION, EBSARY GYPSUM CO., INC., AND NEWARK PLASTER CO. FOR ORDERS, MODIFICATIONS OR DIRECTIONS FOR THE ENFORCEMENT, CONSTRUCTION OR CARRYING OUT OF THE FINAL DECREE OF MAY 15, 1951.

Counsel who argued orally, who appeared at the hearing or who were on the briefs for the various parties are as follows:

For Petitioner, The United States of America: Mr. Edward Knuff (Special Assistant to the Attorney-General) argued orally; Mr. Vincent A. Gorman and Mr. Lawrence Gochberg (trial attorneys for the United States) appeared; Mr. Stanley N. Barnes (Assistant Attorney-General), Mr. Charles H. Weston and Mr. Edward Knuff (Special Assistants to the Attorney-General), Mr. William D. Kilgore

and Mr. Vincent A. Gorman (trial attorneys for the United States) were on the briefs.

For Petitioner, National Gypsum Co.: Mr. Samuel I. Rosenman argued orally; Mr. Seymour Krieger, Mr. Elmer E. Finck, and Mr. Seymour D. Lewis appeared; Mr. Samuel I. Rosenman, Mr. Elmer E. Finck, Mr. Seymour D. Lewis, Mr. Stanley M. Silverberg, Mr. Howard Weinstein, and Mr. Seymour Krieger were on the briefs, as also were Finck & Huber and Rosenman, Goldmark, Colin & Kaye, of Counsel.

For Petitioner, Certain-Teed Products Corporation: Mr. Norman A. Miller argued orally; Mr. Herbert W. Hirsh, Mr. C. Roger Nelson, Mr. Henry Clausen and Mr. Franklin M. Schultz appeared; Mr. Herbert W. Hirsh, Mr. Norman A. Miller and Clausen, Hirsh & Miller were on the briefs, as were Garson Purcell and Purcell & Nelson, of Counsel.

For Petitioner, Newark Plaster Company: Mr. Benjamin P. DeWitt argued orally; joint briefs were filed for Newark Plaster Company and for Ebsary Gypsum Company, Inc. upon which were DeWitt, Pepper & Howell (attorneys for Newark) and Joseph S. Rippey (attorney for Ebsary), as also were Benjamin P. DeWitt, Sidney Pepper and Joseph S. Rippey, of Counsel.

For petitioner, Ebsary Gypsum Company, Inc.: Mr. Joseph S. Rippey argued orally.

For Respondent, United States Gypsum Company: Mr. Cranston Spray and Mr. Bruce Bromley argued orally; Mr. Robert C. Keck, Mr. Hugh Lynch, Jr. and Mr. John E. MacLeish appeared; Mr. Bruce Bromley, Mr. Cranston Spray, Mr. Robert C. Keck and Mr. Hugh Lynch, Jr. were on the briefs, as also were Cravath, Swaine & Moore and MacLeish, Spray, Price & Underwood, of Counsel.

Mr. Albert E. Hallett appeared for The Celotex Corporation.

Before the HONORABLE KIMBROUGH STONE, United States Circuit Judge and the HONORABLE EUGENE WORLEY and the HONORABLE WILLIAM P. COLE, JR., Judges of the United States Court of Customs and Patent Appeals, sitting as District Judges.

STONE, *Circuit Judge:* The United States brought an Anti-Trust action (Civil No. 8017) against United States Gypsum Company, et al., which were engaged in the mining of gypsum rocks and in the manufacture and sale of gypsum products. The complaint charged that a controlling unlawful combination was effectuated by means of substantially uniform patent license agreements between USG and the other manufacturing defendants as licensees. At the close of evidence for the United States, the statutory Court of three Judges sustained a motion to dismiss the complaint under Rule 41(b) of the Federal Rules of Civil Procedure upon the ground that on the facts and the law the Government had shown no right to relief (*U. S.* v. *U. S. Gypsum Co., et al.,* 67 F. Supp. 397).

The Government appealed and the Supreme Court reversed and remanded "for further proceedings in conformity with his opinion." (333 U. S. 364, 402). This decision was on March 8, 1948 with rehearing denied on April 5, 1948 (333 U. S. 869).

After remand, the Government moved for a summary judgment, which was entered on November 7, 1949 (one Judge dissenting). As of that date, this Court entered a decree intended to cover the matters involved. Both sides appealed. The Government contended that the de-

cree was not adequate to cure the ill effects of the illegal conduct of the defendants. The defendants contended that the summary judgment had denied their right to present direct evidence which would have established the lawfulness of their activities.

May 29, 1950, the Supreme Court dismissed the appeal of the defendants (339 U. S. 959) in a memorandum (339 U. S. 960) wherein it affirmed Article III of the November 7, 1949, decree and stating:

> "* * * Article III of the decree of the District Court of November 7, 1949, reading as follows: 'The defendant companies have acted in concert in restraint of trade and commerce among the several states in the eastern territory of the United States to fix, maintain and control the prices of gypsum board and have monopolized trade and commerce in the gypsum board industry in violation of sections 1 and 2 of the Sherman Antitrust Act,' is affirmed. The corporate defendants and Samuel M. Gloyd, doing business as Texas Cement Plaster Company, are enjoined, pending further order of this Court, from (1) enforcing in any manner whatsoever the provisions of their current license agreements fixing, maintaining, or stabilizing prices of gypsum board or the terms and conditions of sale thereof, and (2) from entering into or performing any agreement or understanding in restraint of trade and commerce in gypsum board among the several states in the eastern territory of the United States by license agreements to fix, maintain or stabilize prices of gypsum board or by license or other concerted action arranging the terms and conditions of sale thereof."

On November 27, 1950, the Supreme Court decided (340 U. S. 76) that the decree of November 7, 1949 was inadequate. The Court pointed out wherein it found such inadequacies and closed its opinion as follows:

"With these general suggestions, the details and form

> of the injunction can be more satisfactorily determined by the District Court. Its procedure for the settlement of a decree is more flexible than ours."

On the same day, the Supreme Court extended its injunction order of May 29, 1950 (339 U. S. 960) to be "continued in effect until the entry of a final decree in the District Court."[1]

On May 15, 1951, this Court modified its earlier decree in accordance with this opinion of the Supreme Court. There was no appeal therefrom. This is the present Final Decree.

In January, February or March, 1953, USG filed separate similar actions against four of the other corporate defendants in the Anti-Trust action. These suits were: against the National Gypsum Company, in the Northern District of Iowa; against Certain-Teed Products Corporation, in the same District; against Newark Plaster Company, in the District of New Jersey; and against the Ebsary Gypsum Company, in the Southern District of New York. Each of these suits was based on alternative claims for royalties or for the reasonable value of the use of certain of its patents or for damages because of infringement. The time period covered by each of these four suits was, roughly, from the first opinion by the Supreme Court (March 8, 1948), to the date of the Final Decree (May 15, 1951), and, as to Newark and Ebsary, up to the filing of the complaint against each of them.

The Petitioner in each of the four suits here has filed, in the Anti-Trust case, its separate petition to enjoin the USG suit against it and for associated relief. Very broadly stated, these petitions are based on claimed protection of the Final Decree in the Anti-Trust case, on

1. This extension order appears in the mandate issued to this Court on the remand from the opinion in 340 U. S.

misuse of patents, and on prevention of a multiplicity of actions. Stay orders have been entered in the two Iowa District cases to await action here. Also, the United States has filed a petition to enjoin USG from asserting any claim or suit "in whole or in part on any of the license agreements adjudged illegal, null and void by the final decree of this Court entered on May 15, 1951, or on any provision thereof." As to any claims based on such license agreements, the United States alleges that such "are barred by, and constitute an attempt to defeat, said decree." As to any "alternative claims" set forth in such four suits, the United States "takes no position" as to whether or not they are barred by the Final Decree.

Both by briefs and oral arguments, the issues have been excellently presented by very able counsel for all of the parties.

A plan as a guide to our sequence in considering the issues before us is under four general headings as follows:

I—Jurisdiction
II—Scope of Article IV of the Decree
III—Modification of the Decree
IV—Misuse and Purge

This opinion will follow that arrangement.

I—JURISDICTION.

Jurisdiction of a Court to act upon matters presented to it is purely a matter of power to act. Having such power, whether a Court should exercise it may or may not become a matter of discretion depending upon whether, under all the circumstances of the situation before the Court, the Court has a duty or has a choice.

Petitioners claim jurisdiction here on four grounds: (a) to compel obedience to the Decree, (b) to implement

the Decree in order to effectuate its "basic" purposes, (c) to exercise a "paramount" jurisdiction under express reservations in Article X thereof, and (d), under broad powers of a court of equity, as the most appropriate forum to prevent possible misconstruction of the Decree, in a multiplicity of actions, by Courts unfamiliar with this Anti-Trust case litigation.

Besides countering each of these grounds, USG contends (a) that only the Government (being the sole original complainant) can move to construe or enforce the Decree, and (b) that the Government can participate in the four suits as a permitted intervener or as an *amicus curii.*

Such being the contentions as to this issue, it seems logical to consider first the contentions of USG. The main reliance of USG is *Buckeye Coal and Railway Co.* v. *Hocking Valley Co.*, 269 U. S. 42. Petitioners distinguish this case on the grounds that the Buckeye was not a party to that Anti-Trust suit (while Petitioners are defendants in such action here); and that Article X of this decree expressly reserves jurisdiction to enable "any of the parties to this decree * * * to apply to this Court, at any time for such orders" etc. They cite *Missouri-Kansas Pipe Line Co,* v. *U. S.*, 312 U. S. 502; *Local Loan Co.* v. *Hunt*, 292 U. S. 234 and *Terminal Railroad Ass'n* v. *U. S.*, 266 U. S. 17 to support their contention that parties to an anti-trust case may act to protect their interest based on the Anti-Trust Decree.

Speaking generally and without regard to any special considerations applicable to anti-trust suits, it is correct to say that a court of equity has power to enforce its decrees and that such power includes implementation of the basic purposes thereof in so far as such appears from the language or from the clear intendment thereof. These rules apply to civil anti-trust suits brought by the Government with the important qualification or limitation as to

the parties who may take advantage of them. This difference arises from the purposes of such suits. The purposes of such an action are to destroy an economic situation which is resulting from a conspiracy or monopoly in restraint of interstate commerce to the harm of the public.

To represent and protect this public interest is made the duty of the Attorney-General (15 U. S. C. A. § 4 and related sections of the Act).[2] USG relies upon the *Buckeye Coal & Railway Co. et al.* v. *Hocking Valley Railway Company et al.*, 269 U. S. 42, which dismissed certain petitions in intervention seeking relief in an anti-trust suit brought by the Government and in which a decree for dissolution had been entered some seven years before the intervening petitions were filed, as establishing the doctrine that only the Attorney-General can seek to enforce, construe or modify a decree requiring dissolution under the Act. There are expressions in the *Buckeye* case which tend to support such a view.[3] However, this statement is immediately followed by another which clearly implies that the situation might have been different had interveners been parties to the Anti-Trust suit.[4]

Parties to an original anti-trust suit have a status therein which often does not apply to outsiders. This arises

2. This duty is different and broader than the right given individuals to recover separate damages under 15 U. S. C. A. § 15. Compare *United States* v. *The Borden Company et al.*, 348 U. S. ...., May 17, 1954.

3. At page 49 of that opinion the Court stated:
"* * * The United States, which must alone speak for the public interest, does not appear with them (the interveners) on this appeal. They have therefore no *locus standi*. *United States* v. *Northern Securities Co.*, 128 Fed. 868" (should be 808).

4. At page 49 appears:
"underneath all these reasons for dismissing the appeal, is the fundamental objection that these coal companies presented no case upon their petition justifying their intervention. They were not parties to the original suit."

from the practical effects of the decree upon the legal rights of the parties. Such a decree is based upon a determination that the Act has been violated by an existing economic situation. Necessarily, the relief is such alteration of that situation as will do away with all unlawful features and potentialities. Unavoidably, such legal surgical operations involve and change the inter-relationship of the defendants, whose only reason for being made parties defendant was that they participated in the violation of the Act. Such decrees are intensely practical. Often, in this readjusting process, a decree provides not only for duties but also for rights *inter se* the parties. Where such rights are given, they carry to the recipient party the right to urge compliance, within the limits of the decree.

This is the rule applied in *Terminal Railroad Association of St. Louis et al.* v. *United States et al.*, 266 U. S. 17. This was an action for contempt instituted by the "west side lines" against the "east side lines" based upon the contention that the latter had violated an anti-trust case decree to the damage of rights alleged accorded the "west side lines" under that decree. In that opinion (p. 27) the Court stated:

> "In these proceedings, the United States did not join in the complaint or participate in the hearing in the District Court, but has since appeared and is aligned with the appellees. The proceedings were instituted by the west side lines, not to vindicate the authority of the court, but to enforce rights claimed by them under the original decree. The controversy is between them and the east side lines as to whether the former or the latter shall bear transfer charges on west bound through freight."

Also, the Court (p. 29) stated:

> "* * * The question whether the east side lines are bound to pay transfer charges on west bound through freight depends upon the proper construction and application of the original decree."

There is another case which is important. In an anti-trust suit by the *United States* v. *Columbia Gas and Electric Co. et al.*, a consent decree was entered. The closing paragraph of the decree provided that Panhandle Eastern Pipe Line Co. (not a party in the action) "upon proper application, may become a party hereto for the limited purpose of enforcing the rights conferred by Section IV hereof." Thereafter, Panhandle sought to do this by applying for leave to intervene, which was denied by the District Court. The appeal of Panhandle is *Missouri-Kansas Pipe Line Co.* v. *United States et al.*, 312 U. S. 503.

In discussing the case, the Supreme Court stated (p. 504) that the "issues here revolve around the scope of those provisions of the decree." Among the arguments pressed was a challenge to the jurisdiction over the appeal or, "in the alternative, insisting on the propriety of the action of the district court" (p. 505). It was argued that "the Attorney-General is the guardian of the public interest in enforcing the anti-trust laws * * * (and that) injection of new issues ought not to be allowed to delay disposition of the main litigation * * *" (p. 505). The Court stated (p. 506):

> "All of these arguments misconceive the basis of the right now asserted. Its foundation is the consent decree. We are not here dealing with a conventional form of intervention, whereby an appeal is made to the court's good sense to allow persons having a common interest with the formal parties to enforce the common interest with their individual emphasis. Plainly enough, the circumstances under which interested outsiders should be allowed to become participants in a litigation is, barring very special circumstances, a matter for the *nisi prius* court. But where the enforcement of a public law also demands distinct safeguarding of private interests by giving them a formal status in the decree, the power to enforce rights thus sanctioned is not left to the public authorities

nor put in the keeping of the district court's discretion.

"That is the present case. Panhandle's right to economic independence was at the heart of the controversy. An important aspect of that independence was the extension of its operations to permit sales in Detroit. The assurance of this extension was deemed so vital that it was safeguarded by explicit provisions in the decree."

Further, the Court stated (p. 508):

"We are not concerned with the substantiality of this claim. The sole question before us is whether there was standing to make the claim before the district court. We hold there was such standing. To enforce the rights conferred by Section IV was the purpose of the motion." "Nor can the enforcement of this protection be deemed remotely in conflict with the public duties of the Attorney-General, nor to bring in digressive issues, nor to impeach the existing decree. It is a vindication of the decree."

In the concluding paragraph, the Court states (p. 509):

"In a memorandum filed by the Attorney General we are advised that on January 18, 1941, the district court filed an opinion approving the plan for modifying the original decree subject to some suggestions by the Government. This, we are told 'is believed to satisfy the public interest,' and so the Government desires to sustain the action of the court below without further litigation. We recognize the duty of expeditious enforcement of the antitrust laws. But expedition cannot be had at the sacrifice of rights which the original decree itself established. We assume that the district court will adjust the right which belongs to Panhandle with full regard to that public interest which underlay the original suit."

We think that these three cases announce the following rules of law applicable to the situation here: the Attorney-General is the representative of the "public interest" in

anti-trust cases brought by the Government; but that where a dissolution decree by specific statement or by fair implication therein accords rights to parties thereto, they have a standing, in the main suit, to enforce such rights in a manner consonant with the underlying purposes of the decree.[5]

In this Final Decree, there was (Article X) an expressly reserved jurisdiction "for the purpose of enabling any of the parties to this decree, or any other person, firm or corporation that may hereafter become bound thereby in whole or in part, to apply to this Court at any time for such orders, modifications, vacations or directions as may be necessary or appropriate (1) for the construction or carrying out of this decree, and (2) for the enforcement of compliance therewith.

Such reservation is sufficient to sustain jurisdiction.

For the reasons that the Petitioners here are parties to the original Anti-Trust suit presenting claims to rights under the Final Decree; and that Article X of that Decree expressly reserves jurisdiction, we hold that jurisdiction to entertain these petitions exists. In so holding, we apply the language in the *Missouri-Kansas Pipe Line Co.* case, *supra* at p. 508 that "We are not concerned with the substantiality of this claim. The sole question before us is whether there was standing to make the claim before the district court. We hold there was such standing." Such "substantiality" depends upon what we will call "The

5. We have confined our discussion to parties to the original Anti-Trust suits. However, there are other cases where persons not parties but directly affected by the decree in such cases have been allowed, in connection with such suits, to intervene or to defend to test their rights. Examples are *Hughes* v. *United States*, 342 U. S. 353; *United States* v. *Paramount Pictures et al.*, 334 U. S. 131, 176-178; *United States* v. *Swift & Co. et al.*, 286 U. S. 106; *United States* v. *California Cooperative Canneries*, 279 U. S. 553; *Continental Ins. Co. et al.* v. *United States et al.*, 259 U. S. 156.

Merits" of these controversies—to be considered later in this opinion.

Next, passing to the four grounds alleged by Petitioners to sustain jurisdiction—all of which are challenged by USG.

The inherent power of a court of equity to compel obedience to its decrees is conceded by USG. It contends that its suits do not violate the Decree, hence this doctrine is inapplicable here. Where it is seriously contended, as here, that these suits do violate the Decree, obviously, this Court has power—jurisdiction—to determine whether such violation exists; and, if it does exist, how it may be cured.

As to the existence of power—jurisdiction—we think it is not controlling that Petitioners might urge the Decree as a defense in the USG suits. That question is not one of the existence of jurisdiction in this Court but rather one of whether this Court, in its discretion, should exercise such jurisdiction instead of leaving such issues to be determined in the USG suits.

As to the ground for jurisdiction based upon "implementation" of the Decree to effectuate its basic purposes, we think the reasoning in *Local Loan* case (*supra*) at p. 239 is merely one of the methods of seeking relief in the original action. There it was by an ancillary bill and here by petitions. Here, as there, the jurisdiction "to secure or preserve the fruits and advantages of a judgment or decree rendered therein" is a basis urged here for our jurisdiction. Here, Petitioners urge that Article IV of the Decree established a "status" which is endangered by the USG suits. We think this issue is within the jurisdiction of this Court. As to the nature and limits of implementation, see *Hughes* v. *U. S.*, 342 U. S. 353, 356-357.

As to modification of the Decree as a Jurisdictional matter, Article X expressly reserves that power. Whether or

to what extent the Decree should be modified are matters within the proper exercise of that power. If this power should be exercised, we think we have power (as admonished by the Supreme Court in this case, 340 U. S. at pp. 88-89) to make any modifications which will, "so far as practicable, cure the ill effects of the illegal conduct, * * *." At the same time, we cannot enlarge the Decree beyond the limits necessary to perfect its effectuation. (*U. S.* v. *Swift & Co.*, 286 U. S. 106, 114.) Also, *U. S.* v. *International Harvester Co.*, 274 U. S. 693, 702, where the Court stated that a supplemental complaint by the Government to broaden the original decree must be denied because "This is entirely inconsistent with *the purpose of the consent decree,* both as appears from its terms and as it was apparently construed by the District Court itself" (italics added). Also, see *Hughes* v. *U. S.*, 342 U. S. 353, 356-357.

As to jurisdiction based on possible misconstruction of the Decree in a multiplicity of Courts. It seems to us that this ground is really that of a multiplicity of actions. The matter of possible misconstruction of the Decree is rather a *reason* for taking jurisdiction where there is a claimed multiplicity of actions each involving the meaning and application of the Decree. We think there is a proper and clear multiplicity of actions, to wit, the four present suits by USG and the claims against Celotex and Kaiser. Multiplicity of actions prevention is a long established basis of equity jurisdiction. We think such jurisdiction is present here. Our conception of this character of jurisdiction is that its exercise is discretionary instead of compulsory. The extent of such exercise should depend upon our solution of the issues herein as to the merits.

In this part of our opinion we are not determining anything as to the merits but only broadly that Petitioners have the right to proceed.

Our next task is to determine the merits of the several issues which Petitioners claim entitle them to relief. In doing this, we do not leave behind us all questions of jurisdiction. The broad issues are: (a) the Scope of Article IV of the Decree, (b) the Modification of the Decree, and (c) Misuse of Patents, with the related matter of Purge. As to each of these issues there enters a matter of jurisdiction—not as to *general* jurisdiction to entertain Petitioners' actions here but as to the legal limits within which we may act in considering and determining the particular issue. An illustration of this kind of jurisdiction is the general doctrine that a decree cannot be enlarged beyond the effectuation of the purposes thereof.

II—SCOPE OF ARTICLE IV.

Petitioners contend: (1) that Article IV of the Decree "in terms and by fair intendment" bars these suits by USG; (2) that, even if Article IV "in its present form" is not a bar, yet it should be so *implemented* as "necessary to achieve the basic purpose" of the Decree; and (3) that if such remedy is deemed not within the Decree, "as it presently stands," the Decree should be so modified, because the need for such relief has only recently become necessary in order to achieve its basic purpose. The last of these three contentions will be hereinafter treated under the next heading of this opinion—that of "III—Modification."

The scope of Article IV should be determined in the light of the issues in the Anti-Trust case, of the entire Final Decree, of the proceedings in this Court in connection with the two decrees (November 7, 1949 and May 15, 1951), and the here pertinent statements in the opinions of the Supreme Court in this litigation. To discuss each of these matters adequately is an unnecessarily large undertaking

for the purposes of this opinion. We shall attempt only a sufficient outline of the essential highpoints.

The Issues. The Anti-Trust suit was to enjoin violations of Sections 1, 2 and 3 of the Act. These violations were charged as being carried out by means of patent license agreements granted by USG to the other defendants (manufacturers of gypsum board). The opinion of Chief Judge Stephens very finely and completely narrates the facts and issues on the trial which resulted in the first appeal (333 U. S. 364). We refer to his opinion (*United States* v. *United States Gypsum Co.*, 67 F. Supp. 397) for a more detailed statement of the issues.

The Final Decree. The pattern of the Final Decree of ten Articles is as follows. Article I is the jurisdictional declaration; Article II is the definition of terms used in the Decree, these include "Patents"[6] and "Patent Licenses";[7] Article III declares the defendants have acted in concert to violate Sections 1 and 2 of the Act; Article IV is that "Each of the license agreements listed in Article II hereof is adjudged unlawful under the anti-trust laws of the United States and illegal, null and void"; Article V contains the injunction provisions;[8] Article VI covers non-

6. "Patents" is defined as including all patents and applications therefor (covering gypsum board, its processes and methods of manufacture or use thereof) issued to, applied for or acquired "within a period of five (5) years from the date of this decree", as well as patents issued upon any of said applications, continuations, etc. of any such patents or applications.

7. "Patent Licenses" mean the patent license agreements in effect between USG and each of the other defendants "at the time the complaint herein was filed and described in said complaint as follows: (here follows listing of eighteen such agreements) and any supplement or amendment" thereto.

8. These provisions are "from entering into or performing any agreement or understanding among the defendant companies or other manufacturers of gypsum products to fix, maintain or stabilize, by patent license agreements or other acts or course of action, the prices, or the terms or conditions of sale, of gypsum

discriminatory compulsory license agreements from USG to applicants therefor, subject to approval of the District Court; Articles VII and IX are not material to us here; Article VIII provides for supervision by the Department of Justice to secure compliance with the Decree; Article X is the reservation of jurisdiction for the purposes of construction of, carrying out of, or enforcement of the Decree.

A condensation of the method or plan of the Decree to remedy the unlawful situation may be stated as follows: by annulling the existing named license agreements; by injunction against acts which would tend to defeat the Decree; by use of new compulsory court supervised license agreements; by Department of Justice supervisory inspections; and by retention of broad jurisdiction to protect and effectuate the purposes of the Decree.

Proceedings in this Court. After rehearing was denied (April 5, 1948, 333 U. S. 869), this Court held a conference of counsel which resulted ultimately in a motion by the Government for summary judgment, it being claimed that there was no genuine fact issue remaining to be determined. Defendants filed offer of proof as to fact matters they deemed yet in issue. These two occurrences were in June 1948. Beginning in June 1948 and extending to June 14,

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products sold or offered for sale to other persons, in or affecting interstate commerce; and from engaging in, pursuant to such an agreement or understanding, any of the following acts or practices:

"(1) agreeing upon any basis for the selection or classification of purchasers of gypsum products;

"(2) refraining from selling gypsum products to any purchaser or any class of purchasers;

"(3) agreeing upon any plan of selling or quoting gypsum products at prices calculated or determined pursuant to a delivered price plan which results in identical prices or price quotations at given points of sales or quotations by defendants using such plan;

"(4) policing, investigation, checking or inquiring into the prices, quantities terms or conditions of any offer to sell or sale of gypsum products."

1949, numerous briefs and memoranda were filed by the various parties in connection with the motion for summary judgment, the offer of proofs, suggested findings of fact, and form and contents of decree to be entered. June 14, 1949 this Court held an extended hearing upon all of these matters. At the hearing, a majority of this Court made clear their intention to sustain the motion for summary judgment; and counsel for all parties were given time to file suggestions and memoranda as to form of decree and other pertinent matters. Such suggestions and memoranda were filed up to August 12, 1949. Without further hearing, this Court entered its decree of November 7, 1949. It is this decree from which the Government and the defendants appealed (Defendants' appeal 339 U. S. 959 and 960, Government appeal 340 U. S. 76).

We have gone through the transcript of the hearings in this Court (June 14, 1949), the written or printed suggestions and memoranda of the parties filed before, in connection with and after that hearing. Much of these matters and the hearing had to do (*inter alia*) with the various suggestions as to the form of decree to be entered, including the scope and purposes of what later became, in substance, Articles III, IV and VI of that decree. Practically all of the matters were concerned with prevention of violation in the future, that is, after the effective date of the decree to be entered. However, USG was much concerned with avoiding any provision in the decree declaring the licenses illegal, null and void in their entirety. It was in this connection that it voiced its apprehensions as to the period involved here. Since our concern here is with what took place after the first opinion of the Supreme Court and before entry of the Final Decree (May 15, 1951), our search was primarily aimed at anything in this presentation in connection with the November 7, 1949 decree which might throw particular light upon the period of our con-

cern. Some little discussion occurred, at the hearing, over the terms and conditions of compulsory licenses.

At this point, it is convenient for us to narrow our consideration of the causes of action alleged in the petitions filed by USG in the various other District Courts. These petitions contain five Counts each in the actions against National and against Certain-Teed, and six Counts in those against Ebsary and Newark.[9] The first two Counts of all four petitions are directly based on the license agreements set forth in Article II of the decree of November 7, 1949. Article IV of that decree nullified completely the license agreements listed in Article II. This nullification did not create a status. It simply declared a status which had existed since the granting of the license patents. This Article was made effective *pendente lite* by the Supreme Court in connection with disposition of the appeal of the defendants in the Anti-Trust case (May 29, 1950, 339 U. S. 960) by enjoining any continued performance thereunder. Article IV passed into the Final Decree unchanged. The effect of Article IV was to nullify completely these license agreements. In this situation, we determine that these two Counts in all of these suits should be enjoined from further prosecution because they clearly violate the express provisions of Article IV. We are not impressed by the contention of USG that these two Counts are necessary or useful to meet possible factual situations which might arise in the trials of these suits. Those Counts state definitely grounds for claimed relief and must be so regarded. This determination allows us hereinafter to limit and concentrate attention upon the other Counts of each petition.

We turn now to matters in connection with the formation

9. In the suit against Ebsary and in that against Newark the additional Count (Count 6) is for alleged infringement of a patent not covered in any of the license agreements listed in Article II of the Decree. We will later herein determine as to these Counts 6.

of the 1949 decree which throw light upon the period now involved. In this connection it should be in mind that the four Petitioners here had ceased paying royalties (under the license agreements) shortly after the first opinion of the Supreme Court (333 U. S. 364, March 8, 1948).

During the discussion at the hearing on June 14, 1949, Mr. Miller, counsel for Certain-Teed stated:

> "* * * Mr. Dallstream, who will follow me, will present to Your Honors the exact changes we desire to make in both decrees (presented by the Government and by USG) which would give us the decree we would be satisfied with and which we hope that Your Honors will adopt."

Thereafter, Mr. Dallstream stated:

> "At IV, which United States Gypsum has left out altogether, and has gone back over to page 7 and shown it lined up with VII of the Government, we would like to suggest that in lieu of either, the Article VII of the Government and Article IV of U. S. Gypsum, that a new Article IV reading in exactly the language of the *Masonite* case be entered, which would read as follows:
>
> > " 'That each of the license agreements listed in Article II hereof is adjudged unlawful under the anti-trust laws of the United States and is illegal, null, and void.'
>
> "Chief Judge Stephens: You suggest that in place of Article VII of the Government?
>
> "Mr. Dallstream: Of the Government and Article IV of United States Gypsum.
>
> "Chief Judge Stephens: Yes.
>
> "Mr. Dallstream: I agree with Mr. Finck that we cannot dodge the fact that whatever interpretation should be put on the Supreme Court's decision, the majority of this court have decided that the mere plurality of licenses, accompanied by the other features that existed in this case, made those agreements illegal and that, being illegal, they are unenforceable and are null and void.

"Now, we are faced with the dilemma: What are we going to do about it: We have got to have some new ones if we are going to be fair to the industry, to these licensees, the public, and to all concerned; and so, some provision must be made, and we think V and VI take care of that, and if we declare them null and void for these reasons, which have been recited in the previous paragraph of this decree, that we have taken care of the situation.

"In order that United States Gypsum will have no misunderstanding of my position, I want them to know that my suggestion is in no sense based on any hope or desire on my part to get out of any license fees during any interim period, and if we can agree upon an appropriate license agreement, as far as my client is concerned, we are willing to let the royalty rate, whatever it is, agreed upon apply back to the time when we ceased paying royalties. I just want to make it clear to all that we are not attempting by this declaration of illegality of them to find some way of avoiding the license fees which during this none of us have paid." (Transcript, pp. 8220-8221.)

In a Reply Memorandum filed by USG (July 23, 1949), are the following statements:

"The defendant licensees can have no purpose in making the suggestion that each patent license be adjudged illegal except to obtain some advantage with respect to the use of the patents. They apparently believe it will relieve them from accounting for anything done either before or after the Supreme Court's decision." (p. 6.)

"They have no right of any kind to Gypsum's patents in the future any more than if their licenses had expired without this litigation. With the cancellation of their present licenses they should only be placed in *statu quo* to the extent that any licensee desires to continue the use of any of Gypsum's patents under which it is presently licensed." (P. 8.)

"In the first place, Newark seeks a provision that each of the license agreements be adjudged unlawful

> under the anti-trust laws and illegal, null and void, which not only goes beyond the scope of the determination by this court upon the motion for summary judgment but has for its purpose an attempt to be relieved from accounting, as stated before in this memorandum." (P. 9.)
>
> "National like Newark, is one of those companies which seeks to have the entire license contract declared illegal, apparently believing it will relieve them from accounting with respect to anything done before or after the decision of the Supreme Court." (P. 15.)

It is clear from the foregoing quotations that the situation as to our period was brought up at the hearing and in the USG Memorandum in connection with the discussion as to the scope and possible effect of what later became Article IV, which struck down the licenses *in toto*. USG thus expressed its apprehension that the licensees had in mind some purpose of avoiding an accounting for use of its patents during our period. In so far as Certain-Teed and Celotex were concerned, any ground for this apprehension was expressly disavowed by Mr. Dallstream. National, Newark and Ebsary made no mention of the matter. No party sought to have it, specifically and separately, included in the decree of November 7, 1949.

It is important to emphasize the matter, in connection with which, these apprehensions of USG were expressed. The main contention between USG (on one side) and the Government and the other defendants (on the other side) was whether the decree should be confined, as to declaration of illegality, to the price fixing provision in the license agreements. Strenuously, USG contended for such limitation. This appears not only in its arguments and briefs in connection with the June 14, 1949 hearing but in its original suggestions as to prospective Articles III, IV, V and VI. As a companion and resultant position, USG urged that, while the existing agreements should be *cancelled, as*

of the date of the decree, only the minimum price provision should be declared illegal. The result of and purpose of these contentions would be to leave the agreements valid—therefore enforceable—until entry of the decree, except for the minimum price provision. It was in this setting and in relation to these contentions, that USG expressed its apprehensions above set out. The contest was whether the agreements were illegal only as to minimum price provisions or *in toto.* The decree of November 7, 1949 declared the agreements "illegal, null and void" in entirety.

The same reasoning as to Article IV would apply to the Final Decree unless the situation is affected by the later Supreme Court decisions herein or by what occurred in this Court on the last remand (in connection with the entry of the Final Decree here). We have examined the meager original file (in the Clerk's Office) as to what took place in this Court after the remand on the 340 U. S. appeal. We find nothing except counter suggested forms of decree filed by the Government and by USG. Neither contains anything expressly bearing upon our problems relating to this period covered by these USG suits. Apparently, this Court took these submitted forms and shaped its Final Decree of May 15, 1951 in endeavoring to follow the directions of the Supreme Court as announced in 340 U. S. 76.

Supreme Court Opinions. Concisely summarized, the three opinions of the Supreme Court made the following determinations which need consideration in connection with the point II of this opinion. In 333 U. S. 364, the Court decided (1) that the defendants had "acted in concert"—conspired—to control prices and to monopolize the gypsum industry; (2) that the instrumentalities created and employed to effectuate these purposes were license agreements covering patents owned or controlled by USG;

and (3) that such agreements covered control (a) of prices of patented gypsum board (expanded in 340 U. S. 76 to cover gypsum products), (b) control or affection of prices of unpatented gypsum products, and (c) control over terms and conditions of sale and distribution thereof. In the course of this opinion, the Court announced that the motive—good faith in reliance on the belief that such agreements were lawful under *United States* v. *General Electric Co.*, 272 U. S. 476—did not bar such patent exploitation as here found. The case was remanded for further proceedings.

When this Court granted a summary judgment on this remand and entered its decree, both the Government and the defendants appealed. The Government objected to the decree as being too narrow. The defendants contended their proffer of proof revealed issues of fact which this Court should have determined instead of granting the summary judgment. The Supreme Court affirmed Article III of that decree to the effect that sections 1 and 2 of the Act had been violated; entered an injunction against "enforcing in any manner whatsoever" the license agreements (339 U. S. 960); and dismissed the appeal of the defendants (p. 959).

On the appeal by the Government, that Court altered and broadened some of the provisions of our decree and remanded the case "for further proceedings in conformity with this opinion" (340 U. S. 76, 95). In that opinion there was no direct reference to a situation such as is now presented to us arising from these USG suits; Article IV was not changed.

In that opinion the Court stated (pp. 88-90):

> "A trial court upon a finding of a conspiracy in restraint of trade and a monopoly has the duty to compel action by the conspirators that will, so far as practicable, cure the ill effects of the illegal conduct,

and assure the public freedom from its continuance. Such action is not limited to prohibition of the proven means by which the evil was accomplished, but may range broadly through practices connected with acts actually found to be illegal. Acts entirely proper when viewed alone may be prohibited. The conspirators should, so far as practicable, be denied future benefits from their forbidden conduct.

"The determination of the scope of the decree to accomplish its purpose is peculiarly the responsibility of the trial court. Its opportunity to know the record and to appraise the need for prohibitions or affirmative actions normally exceeds that of any reviewing court. This has been repeatedly recognized by us. Notwithstanding our adherence to trial court responsibility in the molding of a decree as the wisest practice and the most productive of good results, we have never treated that power as one of discretion, subject only to reversal for gross abuse. Rather we have felt an obligation to intervene in this most significant phase of the case when we concluded there were inappropriate provisions in the decree. In resolving doubts as to the desirability of including provisions designed to restore future freedom of trade, courts should give weight to the fact of conviction as well as the circumstances under which the illegal acts occur. Acts in disregard of law call for repression by sterner measures then where the steps could reasonably have been thought permissible. We turn then to the Government's proposals for modification of the decree on the assumption that only a violation through concerted industry license agreements has been proven, but recognizing, as is conceded by defendants, that relief, to be effective, must go beyond the narrow limits of the proven violation."

Evaluating all of the foregoing matters and those now before us, we have some doubt as to whether Article IV is firm ground and it seems wiser to resolve those doubts against the contention that this Article, by fair implication, covers our situation. We are less disturbed in so resolv-

ing this doubt by the consideration that we can reach the same ultimate result over ground that we deem firm.

Newark and Ebsary. In Footnote 9 hereinbefore, we have referred to an additional Count (VI) in the USG petitions against those companies. This seems an appropriate place to determine that matter and, also, of another feature in those two petitions. The first matter is whether the patent covered in those Counts is included in list of patents defined in Article II of the Decree. The second is whether those two companies are liable for infringement of that, as well as other patents set forth in Counts I to V inclusive.

As to the first of these two matters. Application for this patent was filed by Roos on August 15, 1929 and later assigned to USG, to which the patent was issued on June 16, 1936. This patent related to the use of dextrinized starch in gypsum board core composition and method of manufacturing same. USG contends that this patent was not included in any of the license agreements with either of these companies. This, the companies deny. This patent (No. 2,044,401) was obviously an improvement patent. As such, we think it was included as paragraph 18 of the licenses to each of these companies (See transcript in the Supreme Court, October Term, 1947, No. 13, pp. 4416 and 4488). Also, Article II of this Final Decree defines "Patents" as meaning "United States Letters Patent and applications (therefor) * * * relating to gypsum board, its processes, methods of manufacture or use, now (May 15, 1951, the date of the Decree) owned or controlled by" USG. Also, the broadening of Article II § 3 by the Supreme Court (340 U. S. at p. 90) seems directly to include "improvement" patent subject matter.

As to the second matter. Seasonably after entry of the Final Decree, National and Certain-Teed applied for and received licenses thereunder, Neward and Ebsary have

never applied therefor. In the USG petitions against Newark and against Ebsary, it seeks recovery (Counts I-II) for license royalties on patents covered by the old licenses—that recovery included only the period ending with the Final Decree. Each of the succeeding Counts sought recovery "to the date of filing this complaint."

We have already disposed of all recovery up to May 15, 1951 (the Final Decree). Our immediate concern is with the period between this entry of the Decree and the filing of these USG actions, early in 1953. Neither Newark nor Ebsary have filed answer in these USG suits. We were informed in this presentation, that such answers would include a denial of use of these patents during this later period. Such defenses would obviously pose the direct issue of infringement *vel non* since this Decree. We think trial of that issue before the New York and New Jersey District Courts should not be interfered with here. There is no room, in this situation, for application of the multiplicity of actions rule, since each of these two cases must depend, as to this issue, upon its own set of facts. Nor do such limited issues affect the Final Decree here in any respect.

III—MODIFICATION.

It seems to us that there is some inter-mixing of the positions (as argued by both sides) of the legal principles of "implementation" of what is claimed to be required by the Decree (as it presently is) with the right and duty as to modification of the present Decree. Although the same practical effect might result from either "implementation" or modification, yet the legal considerations which control and limit the use of each differ from those applicable to the other.

We think this divergence lies in the different purposes to be served based upon construction of different phases

of a decree. As to implementation, the search is for the specific provisions or for the revealed broad purposes and intendments of a decree. If such search clearly shows such provisions or such intendment, implementation may—possibly must—be employed. If such does not appear, then resort may be had to expressed or implied powers to modify. The bases and the limits of the power and as to the duty to modify (if power exists) depend upon some considerations which differ from those governing implementation. We think the difference between the two remedies is exampled in *Hughes* v. *U. S.*, 342 U. S. 353 at 356-8. The purpose and the permissible function of an order for modification of an anti-trust decree is to cover something within the broad purposes of the decree but which, for some proper reason, was not included in the existing decree. Almost always, such modifications are concerned with remedies. Usually they concern situations which were either overlooked at the time the decree was entered or which have arisen or developed after the decree.

Here, we have no doubt of our power to make any *proper* modifications. Such power being expressly reserved in Article X of the Decree, we do not have to rely on any general equitable doctrine concerning the powers of a court of equity to protect and enforce its decrees, although these reservations in Article X express the purposes of the general equity doctrine, namely, to construe, carry out and enforce the Decree.

However, any and all powers (expressed or implied) to modify an equity decree have other limits than "the length of the Chancellor's foot." In this respect, we face the two contentions of USG: (1) that the situation arising from the USG suits was a matter "not then (when the Decree was entered) before the (this) Court or intended to be decided by it" and, therefore not within the Final Decree; and (2) that, if it is within the power of this

Court to modify the Decree so as to enjoin its suits, "there is no sound, equitable reason why" it should be thus enlarged. These two USG contentions present the successive questions of power to modify and of discretion in the use of any existing power.

Generally speaking, there is no doubt that a court of equity has power to modify its decrees so as to make them fully effective. USG argues and cites cases dealing with the limitations on such courts in construing their decrees.[10] We may accept them as announcing the broad doctrine that a decree may not be enlarged, beyond its intended proper scope, by the medium of modification.

In examining this matter of power we must not lose sight of the character of a decree in an anti-trust case. While the general legal rules governing modification of decrees are not exempt from application in such cases, yet the character of such litigation permits—sometimes requires—a degree of elasticity. This feature comes into existence because of the situation that such a decree is designed vitally to change an unlawful, but existing, econo-

10. Such rules apply to modifications. USG presents them under the headings and citations following.

"(1) Injunctive provisions in a decree must be precise and specific," citing *Shine Chain Theatres* v. *United States*, 334 U. S. 110, 126; *Hartford-Empire Co.* v. *United States*, 323 U. S. 346, 410; *Swift & Co.* v. *United States*, 196 U. S. 375, 396, 401; Federal Rules of Civil Procedure, Rule 65(d).

"(2) A Decree is limited in its application to the issues actually presented and intended to be adjudicated at the time of entry," citing *Oklahoma* v. *Texas*, 272 U. S. 21, 43; *United Shoe Machinery Co.* v. *United States*, 258 U. S. 451, 460; *Vicksburg* v. *Henson*, 231 U. S. 259, 268-273.

"(3) Plain and unambiguous terms of a decree may not be extended or contracted by construction," citing *Hughes* v. *United States*, 342 U. S. 353, 357; *United States* v. *International Harvester Co.*, 274 U. S. 693, 702-3; *Terminal Railroad Ass'n. of St. Louis* v. *United States*, 266 U. S. 17, 27, 29; *Butler* v. *Denton*, 150 F. 2d 689; *Union Pacific R. Co.* v. *Mason City & Ft. Dodge R. Co.*, 165 F. 844, 852 (rev. on other grounds 222 U. S. 237); *St. L. K. C. & C. R. Co.* v. *Wabash R. Co.*, 152 F. 849, 852 (modified 217 U. S. 247).

mic arrangement into such rearrangement as will remove the unlawful features. In framing such a decree, the Court is always necessarily acting with the knowledge that the remedies it then deems sufficient may, from experience thereafter, prove to be incomplete or defective—either because of lack of foresight at the time the decree is formed or because of subsequent happenings or conditions. In short, such a decree can rarely *crystallize* the entire matter. There must be a measure of only *gelling* which is susceptible of modification. Such we think is the teaching of *Hughes* v. *United States*, 342 U. S. 353, 357 and of *United States* v. *Swift & Co. et al.*, 286 U. S. 106, 114, as well as other cases.

Therefore, the question here, as to power, is whether the modifications urged by Petitioners would be an improper enlargement or (as contended by Petitioners) are proper to accomplish the purposes of the Decree. The determinative test is whether or not such modification is reasonably necessary to effectuate the basic purposes of the Decree.

The situation here is that Article IV of this Final Decree did not expressly or impliedly cover the character of suits now brought by USG for infringement or for *indebitatus assumpsit* or for *quantum meruit*. It neither allowed nor forbade such. It simply made no reference to them at all. Some months after the Decree became final, these suits were begun and later brought to our attention for action.

We have, hereinbefore, determined that they involved violations of the Decree as to the first two Counts of each. We now hold that we have jurisdiction to consider whether the Decree should be modified to affect prosecution of the Counts for infringement, for *indebitatus assumpsit* and for *quantum meruit*.

We think these "basic purposes" are to be sought by consideration of the purposes of this Anti-Trust suit, of

the opinions of the Supreme Court, the proceedings in this Court as to formation of a decree on the two remands, and upon the terms of the Final Decree.[11]

This was an Anti-Trust action charging violations, by the defendants therein, of Sections 1, 2 and 3 of that Act. The Supreme Court, in its three opinions (333 U. S., 339 U. S., and 340 U. S.), determined violations of Sections 1 and 2 of the Act through conspiracy to restrain interstate commerce and to monopolize trade therein in the gypsum industry; that these results had been accomplished through concerted action under eighteen similar patent license agreements granted by USG to the other defendants; and that such license agreements were illegal, null and void. To cure this situation, that Court affirmed Article III of the November 7, 1949 decree of this Court and enjoined defendants, pending further order of the Court, "from (1) enforcing in any manner whatsoever the provisions of their current license agreements fixing, maintaining, or stabilizing prices of gypsum board or the terms and conditions of sale thereof, and (2) from entering into or performing any agreement or understanding in restraint of trade and commerce in gypsum board among the several states in the eastern territory of the United States by license agreements to fix, maintain, or stabilize prices of gypsum board or by license or other concerted action arranging the terms and conditions of sale thereof" (333 U. S. 960). On November 27, 1950, this injunction order was "continued in effect until the entry of a final decree in the District Court."[12]

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11. Under the preceding point (II—Scope of Article IV) of this opinion, we have examined such features of these items applicable to that discussion. We will try to avoid repetition here except as clarity may require.

12. This extension order is contained in the original mandate of the Supreme Court to this Court on the remand under its opinion in 340 U. S.

In discussing the duty of the trial court in formulating its decree in an anti-trust case where conspiracy in restraint of trade and monoply have been determined, the Court (in 340 U. S. 76 at pp. 88-90) stated:

> "A trial court upon a finding of a conspiracy in restraint of trade and a monopoly has the duty to compel action by the conspirators that will, so far as practicable, cure the ill effects of the illegal conduct, and assure the public freedom from its continuance. Such action is not limited to prohibition of the proven means by which the evil was accomplished, but may range broadly through practices connected with acts actually found to be illegal. Acts entirely proper when viewed alone may be prohibited. The conspirators should, so far as practicable, be denied future benefits from their forbidden conduct.
>
> "* * * In resolving doubts as to the desirability of including provisions designed to restore future freedom of trade, courts should give weight to the fact of conviction as well as the circumstances under which the illegal acts occur. Acts in disregard of law call for repression by sterner measures than where the steps could reasonably have been thought permissible. We turn then to the Government's proposals for modification of the decree on the assumption that only a violation through concerted industry license agreements has been proven, but recognizing, as is conceded by defendants, that *relief, to be effective, must go beyond the narrow limits of the proven violation*" (italics added).

When the case came back here on this last remand, this Court directed (order of January 26, 1951) filing of suggestions, as to form of decree, by plaintiff (Government) and by the defendants.

The violations of the Act are declared in Article III, which is the heart of the Final Decree. The other Articles of the Decree concern the remedies and methods which the Supreme Court and this Court then thought

sufficient to cure the unlawful conspiracy and monopoly. Article X performed the function of expressly reserving jurisdiction to take further action if experience thereafter should make such necessary or advisable fully to effectuate these purposes of destroying the monopoly and the conspiracy and denying the fruits thereof.

The practical situation present in this matter of Modification consists mainly of the following:

(1) For some years extending into the trial of this Anti-Trust case, the gypsum industry had been effectively organized so that prices and methods of distribution were controlled through the medium of patent license agreements covering patents and applications therefor owned or controlled by USG. These agreements were between USG and each of the various other defendants. The agreements included both process and machinery covered by the patents.

(2) On the first trial on the merits, June 15, 1946 (67 F. Supp. 397), this Court determined that, under its construction of *United States* v. *General Electric Co.* (272 U. S. 476), the separate license agreements were legal (pp. 421-441); and that these agreements were made *bona fides* with no ulterior purpose to violate the Act (pp. 458-484).

(3) On appeal (333 U. S. 364), the Supreme Court reversed and remanded (March 8, 1948) deciding that the industry-wide license agreements, entered with mutual knowledge of the licensor and of all of the different licensees, under which prices and distribution methods would be controlled, established an unlawful conspiracy and monopoly; and that "• • • regardless of motive, the Sherman Act barred patent exploitation of the kind that was here attempted" (p. 393).

(4) The Supreme Court asserted "Of course, this appeal must be considered on a record that assumes the va-

lidity of all the patents involved" (333 U. S. at 388). No change was made in that "record" in any subsequent proceedings in this Court.

(5) Almost immediately following this opinion of the Supreme Court, each of these four defendants stopped paying accrued or future royalties or paying otherwise for use of the patents covered by the license agreements. No payments of any kind were made until new compulsory licenses were granted, under the Final Decree, to National and Certain-Teed-Ebsary and Newark did not take out new licenses.

(6) The manufacturing plants of the licensees had been and were organized for use of these patent-covered methods.

(7) In the proceedings in this Court in regard to the formation of the November 7, 1949 decree, issues were presented as to whether the then license agreements should be nullified entirely or in a limited or qualified degree. It was in this connection, that USG argued for a limited or qualified prohibition; and made known its apprehension that an entire nullification might affect its expectation of receiving compensation for the use of its patents by the licensees during our period. This Court framed Article IV nullifying the license agreements entirely, as being illegal.

(8) On the defendants' appeal from that decree, the Supreme Court affirmed Article III and entered its injunction order (339 U. S. 960). In this injunction the Court expressly forbade defendants from "enforcing in any manner whatsoever" the existing license agreements and this status was thereafter continued up to the Final Decree.

(9) On the Government's appeal, the Supreme Court announced (340 U. S. at 87) that "good intentions" in the situation of this case was no defense; and that here (p. 88)

this Court had the duty of compelling action to "cure the ill effects of the illegal conduct"—such action not being "limited to prohibition of the *proven means* (italics added) by which the evil was accomplished, but may range broadly through practices *connected with* (italics added) acts actually found to be illegal. * * * The conspirators should, so far as practicable, be denied future benefits from their forbidden conduct." The Court stated (340 U. S. at 89) that "in resolving doubts as to the desirability of including provisions designed to restore future freedom of trade, courts should give weight to the fact of conviction as well as the circumstances under which the illegal acts occur."

Considering this situation, we think the Final Decree should be modified to include a denial of recovery upon the infringement Counts of the USG petitions. Our reasons for this determination are as follows:

The basic thing which made this conspiracy and monopoly possible was the existence of the patent (owned, controlled or applied for) situation. It was the unlawful use by defendants of the monopoly rights, normally inhering in patent grants, which violated the superior rights protected by the Anti-Trust Act. One result of this unlawful use was to create an economic situation where the conspirators—other than USG—had conditioned their business operations upon the continued use of these patent rights which had been given them by the license agreements. When the Supreme Court (333 U. S. 364) determined these license agreements to be violative of the Act, these licensees were placed in an uncertain and perilous position. They were operating based on the licenses which were declared violations of the Act. They elected to disregard the license agreements and to continue use of the patented devices and methods.

We think a close parallel—if not indeed a here controlling guide—is to be found in the two *Hartford-Empire* cases (323 U. S. 386 and 324 U. S. 570). In 323 U. S., one of the two broad issues was whether "the provisions of the decree are right" (p. 393). The District Court had appointed a receiver of Hartford *pendente lite,* whose duties included receipt of royalties from patent licensees under existing licenses from Hartford. A provision of the decree was that these royalties should be repaid to the licensees when the decree became final. In disposing of this provision, the Court (p. 411) directed that the receivership should be wound up; and "The royalties paid to the receiver by Hartford's lessees may, unless the District Court finds that Hartford has, since the entry of the receivership decree, violated the antitrust laws, or acted contrary to the terms of the final decree as modified by this opinion, be paid over to Hartford. In any event Hartford should receive out of these royalties compensation on a *quantum meruit* basis, for services rendered to lessees."

The second appeal (324 U. S. 570) was upon petition of the Government "for clarification or reconsideration" of the opinion on the prior appeal. The Court (p. 571) quoted from its prior opinion what we have just above quoted. The Court (p. 572) disposed of the matter as follows:

> "The Government points out that had it not been for the receivership, many of the licensees (most of whom were not parties to the proceeding) would have paid no further royalties to Hartford, and that they may be able to justify refusal of payment of any royalties from the date of the receivership, and ought not to be put into the position of recovering royalties paid to the receiver, from Hartford.
>
> "It has been open to each of these licensees at any time to repudiate its lease and license, to return the leased machinery, to refuse to pay further rentals or

royalties, and to defend any suit arising out of such refusal to pay, *either for infringement or otherwise* (italics added). It may be that licensees have not taken this course because they relied on the decree as entered by the District Court. In such reliance they may have expected that the moneys paid the receiver would be repaid to them.

"In view of the modifications required by the opinion of this court, such licensees must pay reasonable rental and service charges on a *quantum meruit* basis (leaving out of consideration any amount otherwise payable for the privilege of practicing the patented inventions involved) in respect of the machines used in the interim. Unless Hartford, since the entry of the decree by the District Court, has been guilty of some added violation of the anti-trust laws, licensees must elect (a) to remain licensees on such reasonable rental and royalty basis for the future as the District Court may fix, or (b) repudiate the leases and litigate their rights as against Hartford to retain any portion of the rents and royalties paid. Depending upon such election of each of the lessees, the District Court may, on the application of each, make an appropriate order for the disposition of the fund in the light of the licensees' election and the principles stated in the opinion of this Court."

The here particularly applicable part of this quotation is "In view of the modifications required by the opinion of this Court, such licensees must pay reasonable rental and service charges on a *quantum meruit* basis (*leaving out of consideration any amount otherwise payable for the privilege of practicing the patented inventions involved*) in respect of the machines used in the interim" (italics added).

We think it a fair deduction from the sentence just quoted, that the Court had in mind the differences in the bases of recovery in *quantum meruit* and for infringement; and also the differences in measurement of damages or

recovery for infringement[13] and on *quantum meruit*. The prayer on these infringement Counts is for "not less than a reasonable royalty."

Both because of the practical and legal situation here, and, also, the teaching in the *Hartford-Empire* case, we think the Final Decree should be modified to cover prohibition from prosecuting the USG suits in so far as they are based on patent infringement during the period covered by those suits.

Count III of USG petitions is a common law action of *indebitatus assumpsit* based on a pleaded express contract. That contract and the relief sought are so stated and designed to bring about the identical recovery that would be realized had the actions been for recovery upon the royalties provided in the illegal agreements. This is but a lefthanded, indirect method for recovering such royalties.[14] "Forms of action are a means of administering justice rather than an end in themselves * * *" (1 Am. Jur. p. 439). The Decree should be modified to enjoin prosecution of these Counts (Count III).

Count IV of USG petitions is for *quantum meruit* covering the use of the patents. Under the *Hartford-Empire*

13. This infringement Count V in the USG is brought under 35 U. S. C. A. Sec. 67 which authorizes up to treble damages recovery. These Counts allege willful, deliberate and persistent infringement.

14. This situation reminds of the expression in *International Salt Co.* v. *U. S.*, 332 U. S. 392, 400 where the Court stated:

> "* * * The District Court is not obliged to assume, contrary to common experience, that a violator of the antitrust laws will relinquish the fruits of his violation more completely than the court requires him to do. And advantages already in hand may be held by methods more subtle and informed, and more difficult to prove, than those which, in the first place, win a market. When the purpose to restrain trade appears from a clear violation of law, it is not necessary that all of the untraveled roads to that end be left open and that only the worn one be closed."

opinion (324 U. S. 570, 572), we think this Count is proper and prosecution thereof should not be enjoined unless USG is barred by unpurged misuse of its patents.

IV—MISUSE AND PURGE.

In all that we have heretofore stated in this opinion, we have laid aside consideration of the related issues of misuse of patents by USG and of purge of misuse. These issues are now to be examined. We shall first state the pertinent legal rules and then the factual situation to which the rules are to be applied.

The Law. It is an age-old doctrine of Equity Jurisprudence that equity will deny use of its powers to a wrongdoer. This is the doctrine of "unclean hands." This rule is applicable where the owner of patent rights seeks to extend those rights beyond the limits of his patent monopoly. This is the doctrine of "misuse" of patents. This does not nullify the patent but prevents enforcement of it. Because of the nature of patent grants and because of the nature of this equity doctrine, such owner may, as to *future* protection of his rights and after the baleful effects of the misuse have been fully dissipated, relieve himself of this impediment by ceasing the unlawful use. This is the doctrine of "purge". These rules apply to whatever the form of the suit by the patent owner may be (*Edward Katzinger Co.* v. *Chicago Metallic Mfg. Co.*, 329 U. S. 394, 399-400).[15]

15. Some of the cases applying or illustrating the limits of the matters in this paragraph are *United States* v. *National Lead Co.*, 332 U. S. 319, 335; *Bruce's Juices* v. *American Can Co.*, 330 U. S. 743, 755; *Edward Katzinger Co.* v. *Chicago Metallic Mfg. Co.*, 329 U. S. 394, 399-402; *Transparent-Wrap Machine Co.* v. *Stokes & Smith Co.*, 329 U. S. 637, 645; *Hartford-Empire Co.* v. *United States*, 324 U. S. 570, 571-572; *Same* v. *Same*, 323 U. S. 386, 414-419; *Mercoid Corporation* v. *Mid-Continent Invest. Co.*, 320 U. S. 661, 665-672; *Sola Electric Co.* v. *Jefferson Electric Co.*, 317 U. S. 173, 175; *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U. S. 488,

The Facts. The issues as to facts are: (1) whether there was misuse; (2) whether, if there was misuse, it is shown as matter of law; and (3) whether, if misuse existed, it is shown, as matter of law, to have been purged before this period or is yet an undetermined issue of fact.

We think there was misuse by USG, as matter of law on the facts here, which has not been purged. The reasons for these conclusions follow. The Supreme Court (333 U. S. 364) determined that USG had misused its patents to create various unlawful restraints effecting monopolization of the entire gypsum industry. This misuse extended to price regulation, to suppression of related or similar unpatented products, and to regulation of methods and agencies of distribution. The effective instrumentalities used by USG were patent license agreements containing various restrictive provisions.

One such provision (covering prices) had not been used for some years (since 1941) but the right to use had not been abandoned but expressly retained.

In connection with formation of the first decree (November 7, 1949), USG opposed strenuously a suggested provision declaring the license agreements "illegal, null and void." It contended the provision should go no further than to declare the "minimum price provisions" of the licenses to be "illegal" and that the licenses be "*hereby cancelled and terminated,*" suggesting that the broader provision had the purpose to relieve the licensees "from accounting with respect to anything done before or *after* the decision of the Supreme Court" (italics added).

491-494; *B. B. Chemical Co.* v. *Ellis et al.*, 314 U. S. 495; *Leitch Mfg. Co.* v. *Barber Co.*, 302 U. S. 458, 461-463; *Altoona Publix Theatres* v. *American Tri-Ergon Corporation*, 294 U. S. 477, 493; *Carbice Corporation of America* v. *American Patents Development Corporation*, 283 U. S. 27, 31-35; *Continental Wall Paper Co.* v. *Louis Voight & Sons Co.*, 212 U. S. 227, 256 *et seq.*

On the appeal of the defendants (339 U. S. 960), that Court enjoined defendants "from enforcing in any manner whatsoever the provisions of their current license agreements * * *." This order was made May 29, 1950, and continued in force until the Final Decree (May 15, 1951).

In each of the present USG suits, Counts I and II are expressly based on the old license agreements and seek to recover the royalties provided therein in the amounts provided for and measured by those agreements. Counts III and IV are, respectively, actions of *indebitatus assumpsit* and *quantum meruit* posed on the same underlying factual situation created by the license agreements. The amounts sought in each of those two Counts is precisely the same as stated in Counts I and II—in Count III, the amount is measured as in the agreements. Count V (also Count VI in Newark and Ebsary suits) is for infringement based on deliberate infringement and praying recovery for an amount ("not less than a reasonable royalty") which exactly equals the amount measured by the unlawful agreements.

We think this course of conduct, as clearly shown by the proceedings of record in the Anti-Trust case and in these suits by USG, must be construed as meaning that USG has continued to misuse its patents by seeking recovery, directly and indirectly, on the illegal license agreements up to this time. We think we should exercise our discretion and entertain these petitions on the ground of preventing a multiplicity of actions which affect the complete effectiveness of the Final Decree; and that USG should be enjoined from further prosecution of these actions.

USG urges that "this Court on the record before it knows of a number of facts any one of which constitutes evidence of purge at a time prior to May 15, 1951." USG

then discusses five of such facts, with the reservation that they are "only illustrative and not the only or exclusive facts showing purge." In spite of this cautionary reservation, we must conclude that USG is presenting here those matters which it regards as most potent in showing purge.

The first of these five is that USG did not fix prices, under its licenses, after July 8, 1941. This is true. However, its effect is dissipated by two considerations: first, the notices that minimum prices bulletins would be suspended included the statement that such suspension would continue "until we decide again to exercise our right to do so";[16] and, second, this price fixing provision is inseparably joined with the other provisions found violative of the Act (*Edward Katzinger Co.* v. *Chicago Metallic Mfg. Co.*, 329 U. S. 394; *MacGregor* v. *Westinghouse Elec. & Mfg. Co.*, 329 U. S. 402).

The second claimed purging act is based on the claimed acquiescence of USG to the repudiation of the illegal agreements by Petitioners following the first appeal (333 U.S.). The record herein does not support the claim that USG "acquiesced" in these cessations of payments by Petitioners. The position of USG at that time is more accurately described, by one of its counsel, at the argument before us.[17] Thereafter, nothing appears bearing on "acqui-

16. The "potential power" (*Ethyl Gasoline Corp.* v. *United States*, 309 U. S. 436, 458) remained.

17. Counsel stated that the first decision of the Supreme Court (333 U. S.) "came as quite a shock to the old industry. We were not expecting that. And everybody stopped in their tracks as far as these license agreements were concerned.

"The licensees stopped paying royalties. They stopped making reports. As National in its petition sets out, they stopped doing anything under the license, because the Supreme Court had held them unlawful.

"U.S.G. likewise did nothing to try to enforce the license agreements. We just sort of were in a status quo during that period there as far as taking any action. No action was taken by us to enforce them. And that is why, in answer to

escence" until the hearings (June 14, 1949) and the memoranda in connection therewith in respect to the summary judgment and resultant form of decree to be entered thereon. In that connection, USG not only did not claim that the licenses had been rescinded but it urged strongly that only the minimum price fixing provisions were illegal and that, in all other respects, the license agreements should be "cancelled" only as of the date of the decree to be entered. At that time and thereafter, it made clear that it expected to have and waived no rights to have "compensation" for the use of its patents; however, there was no suggestion as to what form enforcement of those rights would take if not voluntarily paid. Not until these USG suits were filed was that made clear. Such suits included Counts for recovery under the unlawful agreements. Throughout, there is no basis for this claimed "acquiescence."

The third claimed purging act is the offer by USG, early in the Spring of 1949 (February or March), of new forms of licenses. Those proffered forms of licenses are not effective as acts of purge, as to our period, for two reasons. First, they were not intended to become effective until the entry of the decree because it was not until that time that the unlawful license agreements were to be "cancelled and terminated" (Article IV, 2 of the form of decree submitted by USG on March 4, 1949). Second, they differed in several respects from the form approved by the Supreme Court (340 U. S. 76). That Court (p. 90) found the definition of gypsum board too restrictive; and also the time limit for applying for new licenses (pp. 93-4).

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your question, I wanted to postpone it to explain that situation. And that was that no effort was made to audit the books, no royalties were paid during this three-year period that is involved in this litigation out in Iowa, and New Jersey, and New York."

The fourth claimed act of purge is that USG had decided not to appeal from the decree of November 7, 1949, "unless the Government appealed, in which event it felt it would be required to appeal, in self defense." Why either this unacted upon decision not to appeal or why an appeal by the Government should in any way affect this matter of purge is not clear to us. The two appeals (USG and the Government) involved entirely different legal issues and situations. USG appealed from the entry of any decree "on the ground of their right to introduce material evidence" (340 U. S. at p. 82); the Government appealed solely "in an effort to have the provisions of the District Court decree enlarged" (340 U. S. at p. 82).

The fifth purging act (or situation) is that the Supreme Court (339 U. S. 960) enjoined USG, on May 29, 1950, from "enforcing in any manner whatsoever" the price provisions of the license agreements.[18] USG relies upon *Standard Oil Co.* v. *Clark*, 2 Cir., 163 F. 2d 917, 927, cer. den. 333 U. S. 873 and the two *Hartford-Empire* cases (323 U. S. 386, 411 and 324 U. S. 570, 572). In none of these citations was there found any attempt to extend unduly a patent monopoly beyond the entry of the final decree in the anti-trust litigations there involved. In each of these cases, the doctrine of patent misuse and purge was recognized but was found not effective in the situation then before those Courts. The USG suits now pending show conclusively that even yet it is striving to enforce the royalty provisions of the illegal patent license agreements.

We think such an attempt is clear misuse of its patents: that such misuse yet continues; and that to allow prosecution of these suits would weaken the effectiveness of the

18. While not material in connection with this contention of purge, it is true that this injunction went beyond price fixing and extended to "by license or other concerted action arranging the terms and conditions of sale thereof (gypsum board)."

Final Decree. As to *quantum meruit* Counts of the USG petitions, we think it will be sufficient if we enjoin further prosecution on the basis of preventing recovery in a multiplicity of suits wherein the misuse of the patents which were involved in this Anti-Trust suit is shown, as matter of law, to exist and not have been purged.

CONCLUSION.

Our ultimate conclusions upon the issues here are as follows: (1) that we have jurisdiction to entertain and determine the issues presented by Petitioners; (2) that the Final Decree should be modified as indicated in point "III—Modification" of this opinion; (3) that further prosecution of all Counts of the USG suits should be enjoined.

Petitioners are granted thirty days from the filing of this opinion to serve upon opposing counsel and to file with this Court, suggested form of decree and form of Conclusions and Findings.

MINORITY OPINION.

Filed July 6, 1954. Harry M. Hull, Clerk.

IN THE UNITED STATES DISTRICT COURT
For the District of Columbia.

United States of America, *Plaintiff*,
vs.
United States Gypsum Company, *et al.*, *Defendants.*
No. 8017 Civil.

COLE, Judge, dissenting:

In reaching a different conclusion from that presented in the majority opinion, I find it advisable to present this statement of my reasons therefor, which statement becomes brief because of the excellent rehearsal by my colleagues of the background and present status of this litigation.

As so aptly stated by the United States, in its brief, "of course, when a court's jurisdiction is drawn in question this is the threshold question in the case." This litigation was initiated, as the title indicates, by the United States as the sole plaintiff and was against the defendants now appearing as defendant petitioners herein except USG which appears as defendant respondent thereto; also, initially, it had as its basis the protection of the public interest in enforcing provisions of the anti-trust laws. The final judgment, entered therein after many years of intensive litigation, found against all defendants in language clear, concise, and completely capable of interpretation to meet any applicable situation growing out of the relation-

ship which was the subject matter thereof. *Inter alia,* it adjudged unlawful under the anti-trust laws of the United States, and illegal, null and void each of the license agreements listed in the decree.

It is my view that the United States can be the sole spokesman for the public interest. *Buckeye Coal & Railway Company, et al.* v. *Hocking Valley Railway Company, et al.,* 269 U. S. 42. While there have been situations, such as in the case of *Missouri-Kansas Pipe Line Co.* v. *United States, et al.,* 312 U. S. 502, which might be construed, to some extent, as tending to contradict the rule laid down in the *Buckeye* case, *supra,* I do not so regard it.

Article X of the decree in this suit is quite broad in providing that the parties may apply to this Court "at any time for such orders, modifications, vacations or directions as may be necessary or appropriate (1) for the construction or carrying out of this decree, and (2) for the enforcement of compliance therewith," but this does not, in my opinion, contain the right for the defendants to stand in the shoes of, or even with, the United States as a protector of the public interest in litigation of this character and, in so doing, settle their own private differences. Likewise, such litigation, initiated by the United States, will not permit the main action to be encumbered with extraneous issues of a private nature. *United States* v. *Columbia Gas & Electric Corporation, et al.,* 27 F. Supp. 116.

The opposite viewpoint looks for support to *Missouri-Kansas Pipe Line Co.* v. *United States, supra,* which was an anti-trust proceeding wherein a consent decree was entered under which consent decree a stockholder of the defendant corporation had the right to become a party which right he sought to exercise. The Attorney General approved the plan presented by the petitioner for modification of the original decree. It is significant that the court in dealing with this phase of the litigation said:

> • • • This, we are told, "is believed to satisfy the public interest," and so the Government desires to sustain the action of the court below without further litigation. We recognize the duty of expeditious enforcement of the antitrust laws. But expedition cannot be had at the sacrifice of rights which the original decree itself established. We assume that the district court will adjust the right which belongs to Panhandle with full regard to that public interest which underlay the original suit.

Following a rehearsal of the chronological course this lengthy controversy pursued, the United States, in its brief, made this statement:

> It is, of course, probable that the courts in which suits have been brought will give effect to this Court's judgment and dismiss, because of the judgment, all claims based on the voided license agreements. • • •
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> • • • • •
>
> • • • The position of the United States, as set forth in its petition, is that said final judgment bars enforcement of any claim based in whole or in part upon any license agreement thus adjudged null and void, and that suit to recover upon any such claim constitutes an attempt to defeat the Court's final judgment. The petition prays, by way of relief, that this Court enjoin USG from asserting any claim, and from maintaining, instituting, or threatening to institute any action, based in whole or in part on any license agreement which the Court had adjudged illegal, null and void.
>
> The United States stated in its petition that *it takes no position as to whether USG's alternative claims for recovery on a quantum meruit basis or for infringement, as made in the four foregoing actions, are barred by this Court's final decree of May 15, 1951*, or as to whether this Court should enter an order enjoining USG from prosecuting such alternative claims. (Italics supplied.)

Just why this court, under the circumstances, should feel

called upon, in view of the Government's position, to restrain prosecution of the pending suits in the several district courts and take upon itself the adjudication of the controversy between the defendants when that controversy involves issues, such as the right to recover under *quantum meruit* or infringement, as alleged, when the Government as the sole protector of the public interest in litigation of this character does not join the petitioners in such request for this court to do so, but by inference at least suggests that it is beyond the scope of the decree handed down in these proceedings, I do not appreciate. If this court restrained the prosecution of the pending suits to the extent the Government's position finds the recovery sought herein to be within that prohibited by the final decree, the right, if any, to the petitioning defendant, USG, to recover under *quantum meruit* or infringement would have remained for adjudication in the district courts. Thus, the suits pending therein would continue as presently docketed for trial. Also, the several district courts wherein the suits are now pending are quite capable of construing and interpreting the meaning of the judgment passed in these proceedings, as applied to the pleadings and factual record subsequently to be developed in those courts, and rule thereon accordingly.

I do not find the situation before us as one requiring this court to spell out in supplementation of its original decree every conceivable type of litigation which might develop between the defendants and presumed to have grown out of the relationship stricken down. Neither do I find the existing situation to be one calling for resort to Article X of the judgment by this court in order to construe, carry out, or enforce said judgment. Inherent power rests with this court always in proceedings of this character to enforce its judgments when such appears advis-

able. I do not, however, find need for the application of such power in these proceedings.

In the light of the foregoing expression of my views, I find it unnecessary to discuss other points argued in the case.

IN THE UNITED STATES DISTRICT COURT
For the District of Columbia.

United States of America,
Plaintiff,
vs.
United States Gypsum Company, et al.,
Defendants.
No. 8017 Civil.

In re Petitions of National Gypsum Company, et al., *Petitioners, vs.* United States Gypsum Company, *Respondent.*

FINDINGS OF FACT.

Filed, Dec. 9, 1954, Harry M. Hull, Clerk.

1. On August 15, 1940, the United States brought an Anti-trust action (Civil Action No. 8017) against United States Gypsum Company, National Gypsum Company, Certain-teed Products Corporation, The Celotex Corporation, Ebsary Gypsum Company, Inc., Newark Plaster Company, et al., which were engaged in the mining of gypsum rock and in the manufacture and sale of gypsum products. The complaint charged a violation of Sections 1, 2 and 3 of the Sherman Act by reason of the defendants' activities in the manufacture and sale of gypsum products, carried out in part under the guise of patent license agreements entered into by U. S. Gypsum, as licensor, and by National, Certain-Teed, Ebsary, Newark and other companies, as licensees. For a more detailed statement of the

issues, reference is made to the opinion of Chief Judge Stephens narrating the facts and issues on the trial of the case (*U. S.* v. *U. S. Gypsum Co. et al.*, 67 F. Supp. 397).

2. The case came on for trial in due course and at the close of evidence for the United States, this statutory court of three judges on June 15, 1946 determined, among other things (67 F. Supp. 397), that, under its construction of *United States* v. *General Electric Co.* (272 U. S. 476), the separate license agreements were legal (67 F. Supp. at pp. 421-441); and that these agreements were made *bona fides* with no ulterior purpose to violate the Act (67 F. Supp. at pp. 458-484). The Court sustained a motion to dismiss the complaint under Rule 41(b) of the Federal Rules of Civil Procedure upon the ground that on the facts and the law the Government had shown no right to relief (*U. S.* v. *U. S. Gypsum Co., et al.*, 67 F. Supp. 397).

3. The Government appealed and the Supreme Court reversed and remanded "for further proceedings in conformity with this opinion." (333 U. S. 364, 402). This decision was on March 8, 1948 with rehearing denied on April 5, 1948 (333 U. S. 869).

4. The Supreme Court (333 U. S. 364), on the *prima facie* case, decided that the industry-wide license agreements, entered with mutual knowledge of the licensor and and of all of the different licensees, under which prices and distribution methods would be controlled, established an unlawful conspiracy and monopoly; and that "* * * regardless of motive, the Sherman Act barred patent exploitation of the kind that was here attempted" (p. 393).

5. The Supreme Court (333 U. S. 364) determined that USG had misused its patents to create various unlawful restraints effecting monopolization of the entire gypsum industry. This misuse extended to price regulation, to

suppression of related or similar unpatented products, and to regulation of methods and agencies of distribution. The effective instrumentalities used by USG were patent license agreements containing various restrictive provisions. Such agreements covered control (a) of prices of patented gypsum board, (b) control or affection of prices of unpatented gypsum products, and (c) control over terms and conditions of sale and distribution thereof.

6. One result of the patent misuse was to create an economic situation where the conspirators — other than USG—had organized their manufacturing plants and conditioned their business operations upon the continued use of these patent rights which had been given them by the license agreements.

7. When the Supreme Court (333 U. S. 364) determined these license agreements to be violative of the Act, these licensees were placed in an uncertain and perilous position. They were operating based on the licenses which were declared violations of the Act. They elected to disregard the license agreements and to continue use of the patented devices and methods.

8. Almost immediately following this opinion of the Supreme Court, each of the four defendant petitioners stopped paying accrued or future royalties or paying otherwise for use of the patents covered by the license agreements. No payments of any kind were made until new compulsory licenses were granted, under the Final Decree, to National and Certain-teed, which were retroactive to May 15, 1951, the date of the Final Decree. Ebsary and Newark did not take out new licenses.

9. After rehearing was denied (April 5, 1948, 333 U. S. 869), this Court held a conference of counsel which resulted ultimately in a motion by the Government for summary judgment, it being claimed that there was no

genuine fact issue remaining to be determined. Various defendants filed offers of proof as to fact matters they deemed yet in issue. These two occurrences were in June 1948. Beginning in June 1948 and extending to June 14, 1949, numerous briefs and memoranda were filed by the various parties in connection with the motion for summary judgment, the offer of proofs, suggested findings of fact, and form and contents of decree to be entered.

10. On June 14, 1949 this Court held an extended hearing upon all of these matters. At the hearing, a majority of this Court made clear their intention to sustain the motion for summary judgment; and counsel for all parties were given time to file suggestions and memoranda as to form of decree and other pertinent matters. Such suggestions and memoranda were filed up to August 12, 1949. Without further hearing, this Court entered its decree of November 7, 1949.

11. The hearing of June 14, 1949, and the written or printed suggestions and memoranda of the parties filed before, in connection with, and after that hearing, had to do, among other things, with various suggestions as to the form of decree to be entered, including the scope and purposes of what later became, in substance, Articles III, IV and VI of that decree. Practically all of the matters were concerned with prevention of violation in the future, that is, after the effective date of the decree to be entered. However, USG was much concerned with avoiding any provision in the decree declaring the licenses illegal, null and void in their entirety. In this connection it voiced its apprehensions as to whether these petitioners would be absolved from payment of royalties for the period involved here by such a provision in the decree.

12. In a Reply Memorandum filed by USG (July 23, 1949), are the following statements:

"The defendant licensees can have no purpose in making the suggestion that each patent license be adjudged illegal except to obtain some advantage with respect to the use of the patents. They apparently believe it will relieve them from accounting for anything done either before or after the Supreme Court's decision." (P. 6.)

"They have no right of any kind to Gypsum's patents in the future any more than if their licenses had expired without this litigation. With the cancellation of their present licenses they should only be placed in *statu quo* to the extent that any licensee desires to continue the use of any of Gypsum's patents under which it is presently licensed." (P. 8.)

"In the first place, Newark seeks a provision that each of the license agreements be adjudged unlawful under the anti-trust laws and illegal, null and void, which not only goes beyond the scope of the determination by this court upon the motion for summary judgment but has for its purpose an attempt to be relieved from accounting, as stated before in this memorandum." (P. 9.)

"National like Newark, is one of those companies which seeks to have the entire license contract declared illegal, apparently believing it will relieve them from accounting with respect to anything done before or after the decision of the Supreme Court." (P. 15.)

13. The main contention between USG (on one side) and the Government and the other defendants (on the other side) was whether the declaration of illegality in the proposed decree should be confined to the price-fixing provision in the license agreements or whether it should apply *in toto* to the entire license agreements. Strenuously, USG contended for such limitation to the price-fixing provisions. This appears not only in its arguments and briefs in connection with the June 14, 1949 hearing but in its original suggestions as to prospective Articles III, IV, V, and VI. As a companion and resultant posi-

tion, USG urged that, while only the minimum price provision should be declared illegal, the existing agreements should be *cancelled, as of the date of the decree.* The result of and purpose of these contentions would be to leave the agreements valid—therefore enforceable—until entry of the decree, except for the minimum price provision. It was in this setting and in relation to these contentions, that USG expressed its apprehensions above set out. The contest was whether the agreements were illegal only as to minimum price provisions or *in toto.*

14. The decree of November 7, 1949 adopted the contention of the Government and the licensees and declared the agreements "illegal, null and void" in their entirety.

15. When this Court granted a summary judgment on the remand and entered its decree, both the Government and defendant USG appealed. The Government objected to the decree as being too narrow and as inadequate to cure the ill effects of the illegal conduct of the defendants. USG contended its proffer of proof revealed issues of fact which this Court should have determined instead of granting the summary judgment.

16. On May 29, 1950, the Supreme Court dismissed the appeal of the defendants (339 U. S. 959) in a memorandum (339 U. S. 960) wherein it affirmed Article III of the November 7, 1949, decree and stating:

> "• • • Article III of the decree of the District Court of November 7, 1949, reading as follows: 'The defendant companies have acted in concert in restraint of trade and commerce among the several states in the eastern territory of the United States to fix, maintain and control the prices of gypsum board and have monopolized trade and commerce in the gypsum board industry in violation of sections 1 and 2 of the Sherman Anti-trust Act,' is affirmed. The corporate defendants and Samuel M. Gloyd, doing business as Texas Cement Plaster Company, are en-

joined, pending further order of this Court, from (1) enforcing in any manner whatsoever the provisions of their current license agreements fixing, maintaining, or stabilizing prices of gypsum board or the terms and conditions of sale thereof, and (2) from entering into or performing any agreement or understanding in restraint of trade and commerce in gypsum board among the several states in the eastern territory of the United States by license agreements to fix, maintain or stabilize prices of gypsum board or by license or other concerted action arranging the terms and conditions of sale thereof."

17. On the appeal by the Government, the Supreme Court altered and broadened some of the provisions of the decree of November 7, 1949 and remanded the case "for further proceedings in conformity with the opinion" (340 U. S. 76, 95). In that opinion there was no direct reference to a situation such as is now presented to the Court arising from these USG suits; Article IV of the decree of November 7, 1949 of this Court which declared the license agreements illegal, null and void in their entirety was not changed.

18. On appeal by the Government, the Supreme Court also extended its injunction order of May 29, 1950 (339 U. S. 960) to be "continued in effect until the entry of a final decree in the District Court."

19. On May 15, 1951, this Court modified its earlier decree in accordance with the opinion of the Supreme Court. In connection with the formation of this decree, the plaintiff and various defendants submitted suggested forms for a decree. In none of these forms was there any provision as to whether or not USG was to receive compensation for use of its patents during the period (1948-1951) covered by the pending USG suits. The forms contained provisions for future licensed use thereof on a reasonable royalty basis. There was no appeal therefrom. This is the present Final Decree.

20. The pattern of the Final Decree of ten Articles is as follows: Article I is the jurisdictional declaration; Article II is the definition of terms used in the Decree, these include "Patents" and "Patent Licenses"; Article III declares the defendants have acted in concert to violate Sections 1 and 2 of the Act; Article IV is that "Each of the license agreements listed in Article II hereof is adjudged unlawful under the anti-trust laws of the United States and illegal, null and void"; Article V contains the injunction provisions; Article VI covers non-discriminatory compulsory license agreements from USG to applicants therefor, subject to approval of the District Court; Articles VII and IX are not material here; Article VIII provides for supervision by the Department of Justice to secure compliance with the Decree; Article X is the reservation of jurisdiction for the purposes of construction of, carrying out of, or enforcement of the Decree.

21. A condensation of the method or plan of the Decree to remedy the unlawful situation may be stated as follows: by annulling the existing named license agreements; by injunction against acts which would tend to defeat the Decree; by use of new compulsory Court supervised license agreements; by Department of Justice supervisory inspections; and by retention of jurisdiction to protect and effectuate the purposes of the Decree.

22. USG did not purge the misuse of its licensed patents. USG urges five facts which it claims (separately or cumulatively) constitute evidence of purge at a time prior to May 15, 1951. These are as follows:

> A. That USG did not fix prices, under its licenses, after July 8, 1941. This is true. However, its effect is dissipated by two considerations: first, the notices that minimum prices bulletins would be suspended included the statement that such suspension would continue "until we decide again to exercise our right to do so"; and, second, this price-fixing provision is

inseparably joined with the other provisions found violative of the Act.

B. The claimed acquiescence of USG to the repudiation of the illegal agreements by Petitioners following the first appeal (333 U. S.). The record herein does not support the claim that USG "acquiesced" in these cessations of payments by Petitioners. In connection with the form of decree to be entered after summary judgment was granted, USG not only did not claim that the licenses had been rescinded but it urged strongly that only the minimum price-fixing provisions were illegal and that, in all other respects, the license agreements should be "cancelled" only as of the date of the decree to be entered. At that time and thereafter, it made clear that it expected to have and waived no rights to have "compensation" for the use of its patents; however, there was no suggestion as to what form enforcement of those rights would take if not voluntarily paid. Not until USG filed its suits against Petitioners was that made clear. Such suits included, among others, Counts for recovery under the unlawful agreements. Throughout, there is no basis for this claimed "acquiescence".

C. The offer by USG, early in 1949 (February or March), of new forms of licenses. Those proffered forms of licenses are not effective as acts of purge, as to the period covered by the pending USG suits, for two reasons. First, they were not intended to become effective until the entry of the decree because it was not until then that the unlawful license agreements were to be "cancelled and terminated" (Article IV, 2 of the form of decree submitted by USG on March 4, 1949). Second, they differed in several respects from the form approved by the Supreme Court (340 U. S. 76).

D. USG's decision not to appeal from the decree of November 7, 1949, "unless the Government appealed, in which event it felt it would be required to appeal, in self defense." Neither this unacted upon decision not to appeal nor an appeal by the Government in any way affects this matter of purge. The two appeals (USG and the Government) involved entirely

different legal issues and situations. USG appealed from the entry of any decree "on the ground of their right to introduce material evidence" (340 U. S. at p. 82); the Government appealed solely "in an effort to have the provisions of the District Court decree enlarged" (340 U. S. at p. 82).

E. The fact that the Supreme Court (339 U. S. 960) enjoined USG, on May 29, 1950, from "enforcing in any manner whatsoever" the price provisions of the license agreements. The USG suits now pending show conclusively, however, that even now it is striving to enforce the royalty provisions of the illegal patent license agreements.

Neither taken separately nor cumulatively do any or all of these matters amount to evidence of purge by USG of its misuse of its patents.

23. In January, February or March, 1953 USG filed separate similar actions against four of the other corporate defendants in the Anti-trust action. These suits were against the National Gypsum Company, in the Northern District of Iowa; Certain-Teed Products Corporation, in the same District; Newark Plaster Company, in the District of New Jersey; and the Ebsary Gypsum Company, in the Southern District of New York. Each of these suits was based on alternative claims for royalties or for the reasonable value of the use of certain of its patents or for damages because of infringement. The time period covered by each of these four suits was, roughly, from the first opinion by the Supreme Court (March 8, 1948), to the date of the Final Decree (May 15, 1951), and, as to Newark and Ebsary, up to the filing of the complaint against each of them.

24. In these suits USG seeks judgment against National for $1,600,000; against Certain-Teed for $650,000; against Ebsary for $100,000 on Counts I and II and in the alternative $160,000 on Counts III, IV and V, and $85,000 on

Count VI; against Newark for $120,000 on Counts I and II and in the alternative $185,000 on Counts III, IV and V, and $100,000 on Count VI; and interest (except as to Counts V and VI) and costs of suit against each defendant.

25. USG also asserted claims against The Celotex Corporation and against Kaiser Gypsum Company for the alleged use of its licensed patents for the period from February 1 or March 1, 1948 to May 15, 1951.

26. The complaints filed by USG in the various District Courts contain five Counts each in the actions against National and Certain-Teed, and six Counts each in the actions against Ebsary and Newark.

27. The first two Counts of all four complaints are directly or indirectly based on the license agreements set forth in Article II of the decree of November 7, 1949.

28. Count III of the USG complaints is a common law action of *indebitatus assumpsit* based on a pleaded express contract. That contract and the relief sought are so stated and designed to bring about the identical recovery that would be realized had the actions been for recovery upon the royalties provided in the illegal agreements. The amounts sought in Count III of the Ebsary and the Newark suits are more than under Counts I and II thereof because of the different periods of time involved.

29. Count IV of the USG complaints is for *quantum meruit* covering the use of the patents.

30. Counts V and VI of the USG complaints allege infringement of USG's patents.

31. The amounts sought in Counts III-V of these suits for the period prior to the Final Decree are precisely the same as the amounts as measured by and sought as royalties in Counts I and II. In Counts I and II the amounts are sought to be recovered by means of enforcing the covenant to pay in the old unlawful license agreements.

32. The patent alleged to be infringed in the USG suits against National Gypsum Company and Certain-Teed Products Corporation is patent Roos No. 2,017,022. The USG suits against Newark Plaster Company and Ebsary Gypsum Company allege in addition infringement of patents Roos Nos. 2,079,338; 2,080,009; and 2,044,401 for the period prior to and after May 15, 1951. All of the foregoing patents were licensed by USG under one or more of the patent licenses defined and enumerated in paragraph 5 of Article II of the Final Decree of May 15, 1951.

33. Application for patent No. 2,044,401 was filed by Roos on August 15, 1929 and later assigned to USG, to which the patent was issued on June 16, 1936. This patent related to the use of dextrinized starch in gypsum board core composition and method of manufacturing same. This patent was an improvement patent and, as such, was included as paragraph 18 of the licenses to Newark and Ebsary. (See transcript in the Supreme Court, October Term, 1947, No. 13, pp. 4416 and 4488.)

34. Seasonably after entry of the Final Decree, National and Certain-Teed applied for and received licenses thereunder. Newark and Ebsary have never applied therefor. In the USG complaints against Newark and Ebsary, it seeks recovery (Counts I-II) for license royalties on patents covered by the old licenses—that recovery included only the period ending with the Final Decree. Each of the succeeding Counts sought recovery "to the date of filing this complaint."

35. Neither Newark nor Ebsary have filed answer in the USG suits. The Court was informed in this presentation that such answers would include a denial of use of these USG patents during the period subsequent to May 15, 1951. Such defenses would pose the direct issue of infringement *vel non* since the Final Decree.

36. The defendant in each of the four suits filed by USG, hereinabove described, has filed in this Court and as a proceeding in this case (Civil Action No. 8017) its separate petition to enjoin the USG suit against it and for associated relief. Very broadly stated, these petitions are based on claimed protection of the Final Decree in the Anti-trust case, on misuse of patents, and on prevention of a multiplicity of actions. Stay orders have been entered in the two Iowa District cases to await action here. We have no information of any similar action in the two other cases.

37. The United States has filed a petition to enjoin USG from asserting any claim or suit "in whole or in part on any of the license agreements adjudged illegal, null and void by the final decree of this Court entered on May 15, 1951, or on any provision thereof." As to any claim based on such license agreements, the United States alleges that such "are barred by, and constitute an attempt to defeat, said decree." As to any "alternative claims" set forth in such four suits, the United States "takes no position" as to whether or not they are barred by the Final Decree.

CONCLUSIONS OF LAW.

(Filed Dec. 9, 1954, Harry M. Hull, Clerk.)

1. Defendant Petitioners are parties to the original Anti-trust suit asserting rights under the Final Decree. Where a decree specifically or by fair implication accords rights to parties thereto, the parties have a standing to enforce such rights in a manner consonant with the underlying purposes of the decree. Petitioners have standing to apply to this Court for enforcement, construction or the carrying out of the Final Decree.

2. This Court has jurisdiction to entertain and deter-

mine the issues presented by Petitioners because such jurisdiction is expressly reserved by Article X of the Final Decree.

3. In addition to such expressly reserved jurisdiction, this Court has jurisdiction to entertain and determine the issues presented by Petitioners based on the inherent power of a court of equity to compel obedience to its decrees. Where it is seriously contended, as here, that the suits brought by USG do violate the Final Decree, this Court has jurisdiction to determine whether such violation exists; and, if it does exist, how it may be cured.

4. This Court has jurisdiction to entertain and determine the issues presented by Petitioners based on its jurisdiction to implement the Final Decree to effectuate its basic purposes. One method of seeking such implementation is by petition in the original action.

5. This Court has jurisdiction to entertain and determine the issues presented by Petitioners based on the long-established discretionary jurisdiction of an equity court to prevent multiplicity of actions. Such jurisdiction is present here because of the four present suits by USG and also the claims against Celotex and Kaiser. The matter of possible misconstruction or diversity of construction of the Final Decree is a reason for taking jurisdiction where there is a claimed multiplicity of actions, each involving the meaning and application of the Decree and affecting the complete effectiveness of the Decree.

6. It is not controlling as to the existence of jurisdiction that Petitioners might urge the Final Decree as a defense in the USG suits. That fact does not affect the existence of jurisdiction in this Court. It is relevant merely on the question whether this Court, in its discretion, should exercise such jurisdiction instead of leaving the issues to be determined in the USG suits.

7. Article IV of the decree of November 7, 1949 nullified completely the license agreements listed in Article II. This nullification did not create a status. It simply declared a status which had existed since the granting of the patent licenses. Article IV passed into the Final Decree unchanged. Accordingly USG should be enjoined from further prosecuting the first two Counts in each of the four suits brought by it against the Petitioners, since these Counts clearly violate the express provisions of Article IV.

Article IV of the Final Decree did not expressly nor impliedly cover the character of suits now brought by USG for infringement or for *indebitatus assumpsit* or for *quantum meruit*. It neither allowed nor forbade such.

8. The purpose and permissible function of an order for modification of an anti-trust decree is to cover something within the broad purposes of the decree but which, for some proper reason, was not included in the existing decree. Almost always such modifications are concerned with remedies. Usually they concern situations which were either overlooked at the time the decree was entered or which have arisen or developed after the decree.

9. The power to make any proper modification of the Final Decree is expressly reserved in Article X. That Article performed the function of expressly reserving jurisdiction to take further action, if experience thereafter should make such necessary or advisable, fully to effectuate the purposes of destroying the monopoly and the conspiracy and denying the fruits thereof. The Court has power to make any modification which will, "so far as practicable, cure the ill effects of the illegal conduct * * *" (340 U. S. at pp. 88-89).

10. In addition to such expressly reserved power, this Court as a court of equity has inherent power to modify

its decrees so as to make them fully effective, provided, however, that the decree may not be enlarged beyond its intended proper scope by the medium of modification.

11. The course of conduct of USG, as clearly shown by the proceedings of record in the Anti-trust case and in these suits by USG, establish that USG did not purge itself of its patent misuse at any time prior to May 15, 1951. The five acts claimed by USG to constitute acts of purge prior to May 15, 1951 do not constitute purge.

12. In view of the misuse by USG of its patents as a matter of law on the facts here, which has not been purged, all claims of USG are barred, and USG should be enjoined from further prosecution of all Counts of these actions.

13. The course of conduct of USG, as clearly shown by the proceedings of record in the Anti-trust case and in the suits by USG, must be construed as meaning that USG has continued after May 15, 1951 to misuse its patents by seeking recovery, directly and indirectly, on the illegal license agreements up to this time. The attempt by USG to enforce the royalty provisions of the illegal patent license agreements is clear misuse of its patents; such misuse yet continues; and to allow prosecution of these suits, would weaken the effectiveness of the Final Decree.

14. Count III of the USG petitions, for *indebitatus assumpsit*, is but a left-handed, indirect method for recovering the royalties provided in the illegal license agreements. The Decree should be modified to enjoin prosecution of Count III of the USG petitions.

15. Count IV of the USG petitions, the *quantum meruit* Counts, are enjoined on the basis of preventing recovery in a multiplicity of suits wherein the misuse of the patents which were involved in this Anti-trust suit is shown, as a matter of law, to exist and not to have been purged.

16. Both because of the practical and legal situation in

this case, and, also, the teaching in the *Hartford-Empire* case, the Final Decree should be modified to cover prohibition from prosecuting the USG suits insofar as they are based on patent infringement during the period covered by those suits.

ORDER.

(Rubber Stamped) Filed, Dec 9 1954, Harry M. Hull, Clerk.

The foregoing thirty-seven Findings of Fact and the foregoing sixteen Conclusions of Law are found and adopted by a majority of the Court. Except as contained, in substance, in the foregoing, all requests or proposals for Findings or for Conclusions are denied.

Dated this 9 day of December, 1954.

/s/ KIMBROUGH STONE,
Judge,
/s/ EUGENE WORLEY,
Judge.

For the reasons stated in the dissenting opinion filed herein on July 6, 1954, I dissent from the foregoing Findings of Fact and Conclusions of Law and think these actions by Petitioners should be dismissed for lack of jurisdiction.

/s/ WILLIAM P. COLE, JR.,
Judge.

IN THE UNITED STATES DISTRICT COURT
For the District of Columbia.

United States of America, *Plaintiff*,
vs.
United States Gypsum Company, et al., *Defendants.* } No. 8017 Civil.

In re Petitions of National Gypsum Company, et al., *Petitioners*, *vs.* United States Gypsum Company, *Respondent.*

DECREE.
Filed, Dec. 9, 1954, Harry M. Hull, Clerk.

Petitions having been filed in this Court by defendants, National Gypsum Company, Certain-Teed Products Corporation, Newark Plaster Company, and Ebsary Gypsum Company, Inc., on March 25, April 22, May 13, and June 3, 1953, respectively, for orders, modifications or directions for the enforcement, construction or carrying out of the Final Decree of May 15, 1951 and

Plaintiff United States of America, having filed on June 30, 1953 its petition for order or directions for the construction, carrying out or enforcement of the Final Decree of May 15, 1951, and

Defendant United States Gypsum Company, having filed on September 8, 1953 separate answers to each of the above petitions, and

The Court, having read and considered said petitions

and answers, and having heard the oral arguments of Counsel for all of the above parties on January 12 and 13, 1954, and having read and considered the briefs filed by them, and having rendered its majority and dissenting opinions on July 6, 1954,

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED:

1. This Court has jurisdiction of the subject-matter of said petitions and of the parties hereto.

2. The Final Decree of this Court of May 15, 1951 is hereby modified by adding to Article V thereof a paragraph reading:

> Defendant United States Gypsum Company is hereby ordered and directed to discontinue and to dismiss, with prejudice to United States Gypsum Company, its pending actions as follows: against National Gypsum Company, in the United States District Court for the Northern District of Iowa; against Certain-Teed Products Corporation, in the same District Court; against Newark Plaster Company, in the United States District Court for the District of New Jersey; and against Ebsary Gypsum Company, Inc., in the United States District Court for the Southern District of New York.

3. Costs arising out of these proceedings instituted by Petitioners shall be assessed against United States Gypsum Company.

Dated this 9 day of December, 1954.

/s/ KIMBROUGH STONE,
Judge,
/s/ EUGENE WORLEY,
Judge.

For the reasons stated in the dissenting opinion filed herein on July 6, 1954, I dissent from the foregoing Decree and think these actions by Petitioners should be dismissed for lack of jurisdiction.

/s/ WILLIAM P. COLE, JR.,
Judge.

IN THE UNITED STATES DISTRICT COURT
For the District of Columbia.

United States of America, *Plaintiff*,
vs.
United States Gypsum Company, et al., *Defendants.* } No. 8017 Civil.

In re Petitions of National Gypsum Company, et al., *Petitioners*, *vs.* United States Gypsum Company, *Respondent.*

MEMORANDUM.
Filed, Dec. 9, 1954, Harry M. Hull, Clerk.

Before the HONORABLE KIMBROUGH STONE, *United States Circuit Judge* and the HONORABLE EUGENE WORLEY and the HONORABLE WILLIAM P. COLE, JR., *Judges of the United States Court of Customs and Patent Appeals*, sitting as *District Judges.*

PER CURIAM: Under the majority opinion filed herein on July 6, 1954, Petitioners were granted thirty days thereafter to serve upon opposing counsel and to file with this Court, "suggested form of decree and form of Conclusions and Findings." Thereafter, United States Gypsum Company[1] was granted until September 17, 1954 to file objections to any suggested forms of Findings, Conclu-

1. For convenience, United States Gypsum Company is hereinafter designated as USG.

sions and Decree so filed by Petitioners. National Gypsum Company filed an answering memorandum on October 11, 1954. On October 18, 1954, USG filed a motion for reconsideration and rehearing with supporting memorandum. On October 21, 1954, Newark Plaster Company and Ebsary Gypsum Company, Inc. filed a joint answering memorandum to the Objections, etc. of USG. On October 22, 1954, National filed a memorandum of authorities opposing the above motion of USG.

FIRST.

The Objections and Suggestions of USG are stated in two "Parts" as follows:

> "* * * Part I presents basic errors inherent in the proposed findings, conclusions and decree because they incorporate findings and conclusions from the majority opinion which are erroneous and which should therefore be given further consideration by the Court. Part II deals with specific detailed objections and suggestions regarding the proposed findings of fact, conclusions of law and decree."

Part I concludes with the statement following:

> "U. S. Gypsum respectfully urges that, in view of the matters hereinbefore presented, this court reconsider its opinion of July 6, 1954, and afford an opportunity for further hearing with respect thereto, before it formalizes the opinion by the entry of findings of fact, conclusions of law, and amendment to the decree of May 15, 1951."

It is thus clear that Part I is not directed to the matter of aiding the Court in its formation of Findings, Conclusions and Decree to express the determinations reached in the majority opinion. Rather it is in the nature of a petition for rehearing which argues the merits of the matters covered in that opinion.

The direction to Petitioners (in the majority opinion) and the later order giving USG leave, until September 17, to file objections and suggestions was each definitely confined to matters having to do with formulation of Findings, of Conclusions and of a decree. There can be no doubt of this. Therefore, Part I of USG's Objections and Suggestions was not covered by the leave granted it. The Court might well have disregarded Part I or have stricken it of its own motion or it might have heard and considered it on its merits. Such choice resting upon "its inherent power to direct a case so as to aid in its disposition" (*United States* v. *United States Gypsum Co., et al.*, 340 U. S. 76, 81).

This choice necessitated no immediate determination until the receipt of a letter from Judge Rosenman.[2] The letter requested leave to "answer USG's argument on the merits", such answer to be restricted however to "the new contentions raised by USG"; and stating such memorandum would be filed by October 11, only one week after receipt of the letter by Judge Stone. At the same time, there was insistence that Part I should not be considered.[3]

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2. While dated in New York City as of September 27, the letter was directed to Judge Stone in Washington, D. C. from where it was forwarded to him at Kansas City, Mo., first coming to his attention the morning of Monday, October 4.

3. The text of the letter follows.

"ROSENMAN GOLDMARK COLIN & KAYE
"575 Madison Avenue New York 22

"Samuel I. Rosenman
"Godfrey Goldmark
"Ralph F. Colin
"Sydney M. Kaye
"Walter J. Petschek
"Max Freund
"Ambrose Doskow
"Seymour D. Lewis

"Murray Hill 8-7800

"September 27, 1954

"Hon. Kimbrough Stone
"United States District Court
"for the District of Columbia

(*Footnote Continued on p. 85A*)

Thus was created a somewhat complicated situation which seemed to require immediate action as to whether the Court would consider Part I, and if so, to what extent.

"Washington 1, D. C.

"Re: U. S. v. U. S. Gypsum, et al.

"Civil Action No. 8017

"Dear Judge Stone:

"On September 17th, the United States Gypsum Company served upon National Gypsum Company a Memorandum entitled 'United States Gypsum Company's Objections and Suggestions with Respect to Petitioners' Proposed Findings of Fact, Conclusions of Law, and Decree', which, without leave of Court, reargues issues decided by the Court's opinion of July 6th, and sets forth several new arguments in support of USG's contentions.

"Your Honor will recall that under the Court's opinion, permission was granted only to Petitioners to file a suggested form of findings, conclusions and decree. Thereafter, upon consent of petitioners National and United States of America, an order was entered on July 27, 1954, that 'the respondent United States Gypsum Company shall have to and including September 17, 1954 within which to serve upon Petitioners' counsel and file with the Court objections or suggestions with respect to the form or forms of Decree and form or forms of Conclusions and Findings so served upon its counsel by the Petitioners or any of them.' No authority was granted to USG to reargue any of the issues determined by this Court.

"It is respectfully requested that the Court permit National to file, along with its answer to USG's objections and suggestions with respect to the form of the decree, findings and conclusions, its answer to USG's arguments on the merits. National's answer to USG's argument on the merits will restrict itself, however, to answering only the new contentions raised by USG. National proposes, if the Court so permits, to file its Memorandum by October 11, 1954.

"We urge, however, that the Court disregard USG's reargument and our answers thereto; that the Court reject USG's request for further oral argument; and that the Court limit its consideration solely to the matter of the form of the findings, conclusions and decree.

"Respectfully submitted,

"/s/ SAMUEL I. ROSENMAN,

"Samuel I. Rosenman

"cc: Hon. Eugene Worley

"Hon. William P. Cole

"Edward Knuff, Esquire

(*Footnote Continued on p. 86A*)

The Judges (on October 4) discussed this situation by long distance telephone. The result was unanimous agreement that it would be more orderly not to consider the matters covered by Part I in connection with formulation of the Findings, Conclusions and decree; that accompanying such formulation, an order denying Part I without prejudice to USG would be entered; and that Judge Rosenman would be informed by Judge Stone that he need not an-

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"Washington, D. C.
"Attorney for United States of America

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"1625 K Street, N.W.
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"Bruce Bromley, Esquire
"Cravath, Swaine & Moore
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"New York, New York

"Cranston Spray, Esquire
"MacLeish, Spray, Price & Underwood
"134 So. LaSalle Street
"Chicago 3, Illinois
"Attorneys for U. S. Gypsum Company

"Norman A. Miller, Esquire
"Messrs. Clausen, Hirsh & Miller
"135 South LaSalle Street
"Chicago 3, Illinois
"Attorney for Certain-Teed Products Corporation

"Albert E. Hallett, Esquire
"Dallstream, Schiff, Stern & Hardin
"231 South LaSalle Street
"Chicago 4, Illinois
"Attorney for Celotex Corporation

"Joseph S. Rippey, Esquire
"612 Powers Building
"Rochester 14, New York
"Attorney for Ebsary Gypsum Company, Inc.

"Benjamin P. DeWitt, Esquire
"DeWitt, Pepper & Howell
"120 Broadway
"New York 5, New York
"Attorney for Newark Plaster Company"

swer Part I in the memorandum to be filed by October 11. Later the same day, Judge Rosenman was informed that he need not answer this Part I.

This memorandum by Judge Rosenman was transmitted to the Clerk of the Court with a letter addressed to Judge Stone and reading, in part,

> "However, in accordance with your instructions by telephone to Judge Rosenman on October 4th, National's Memorandum has omitted any answer to U. S. Gypsum's arguments on the merits, and is restricted to the matter of the form of the findings, conclusions and decree."

Shortly thereafter (October 18, 1954), USG filed its motion that the Court

> "reconsider its apparent denial of the right of U. S. Gypsum to petition for reconsideration and for rehearing in respect to the manifest errors of law and of fact embodied in the court's opinion of July 6, 1954 * * * set forth in U. S. Gypsum's Objections and Suggestions * * * further moves that this motion be set down for hearing * * *".

The motion claims such right of consideration and rehearing also under Civil Rule 59(a) governing new trials.

As stated above, the plan of the Court was to deny consideration of Part I at the time of and in connection with its determination of Findings, Conclusions and Decree, without prejudice to USG. USG has no uncontrolled right to argue the merits of the majority opinion before that opinion has been formalized into a Decree. Any earlier presentation is entirely within the discretion of the Court as to whether such presentation would be helpful to the Court. The Court might have constructed its own Findings, Conclusions and Decree without seeking aid from counsel for any of the parties. It saw fit to ask that aid, to be furnished through suggestions as to

those matters. Those requests were specifically limited and cannot properly be tortured into any allowance of discussion of the merits of the determinations stated in the majority opinion. Rule 59(a) has no application until the entry of a Decree, which creates the situation where the Rule becomes activated. The motion of USG has exactly the same purposes as Part I of its Objections and Suggestions. It will be disposed of in like manner.

The Court prefers to follow the regular procedure by stating its determinations as to Findings, Conclusions and Decree in proper definite form at this time, leaving USG to challenge the thus completed statement of such determinations by such methods as it may be then advised.

An order is this day entered denying consideration of Part I and denying USG's motion for reconsideration and rehearing. Each of such denials is entirely without prejudice to USG to present, after entry of decree herein, such proper matters as it may deem advisable. All three Judges join in this disposition of these two matters.

SECOND.

The immediate engagement of a majority of the Court (Judges Stone and Worley) is to state the Findings of Fact and the Conclusions of Law, which are the bases for a Decree, and to settle the terms of such a Decree. In this undertaking, the Court has been much aided by the proposals and observations both of Petitioners and of USG.

Separately or generally to analyze and discuss the numerous Suggestions, Objections, and Counter-Suggestions would serve no useful purpose. The Findings made, the Conclusions stated and the Decree entered by the Court will evidence our consideration of all that counsel for the parties have brought to us.

However, to prevent misunderstanding, it may be helpful to make the following observations concerning the Findings of Fact. The "Objections" and the "Proposed Findings" of USG fall naturally in two classes. One of these challenges the *verity*—the truthfulness—of particular Findings suggested by Petitioners. The other aims at the accuracy—meaning incompleteness or insufficiency to present an adequate picture of the subject matter—of a particular Finding. In some instances, both the "verity" and the "accuracy" of a Finding are assailed.

Where the problem has been "verity", the Court has expressed its decision. Where the problem has been "accuracy", it has usually been a matter of the extent to which the details of the subject matter of a Finding should be stated. Therefore, the circumstance that such detail is not contained in a Finding may mean only that the Court deems it unnecessary.

Except as covered by the just preceding paragraph or as included in the Findings of Fact filed, the Findings suggested by all parties are denied. Where the suggested Conclusions of Law are not, in substance, incorporated in those filed by the Court, they are denied. The same situation and the same ruling applies to the Form of Decree.

Judge Cole does not join in the Findings of Fact, the conclusions of Law nor the Decree since he adheres to the view, as expressed in his dissenting opinion (filed July 6, 1954), that this Court is without jurisdiction in the matters presented by Petitioners.

IN THE UNITED STATES DISTRICT COURT
For the District of Columbia.

United States of America, *Plaintiff*,
vs.
United States Gypsum Company, et al., *Defendants.* } No. 8017 Civil.

In re Petitions of National Gypsum Company, et al., *Petitioners*, *vs.* United States Gypsum Company, *Respondent.*

ORDER.
(Filed, Dec. 9, 1954. Harry M. Hull, Clerk.)

The Part I of United States Gypsum Company's Objections and Suggestions with Respect to Petitioners' Proposed Findings of Fact, Conclusions of Law, and Decree, filed September 17, 1954, is denied consideration; the motion of United States Gypsum Company for reconsideration and for rehearing filed October 18, 1954, is denied; denial of each of these matters is without prejudice to United States Gypsum Company to present, after entry of Decree herein, such proper matters as it may then deem advisable.

Dated this 9th day of December, 1954.

/s/ KIMBROUGH STONE,
/s/ EUGENE WORLEY,
/s/ WILLIAM P. COLE, JR.,
Judges.

IN THE UNITED STATES DISTRICT COURT
District of Columbia.

United States of America, *Plaintiff*, *vs.* United States Gypsum Company, et al., *Defendants.*	No. 8017 Civil.

ORDER.
Entered June 30, 1955.

After full consideration of the matters presented by counsel in support of and in opposition to the Motion for a New Trial now pending herein, it is hereby

Adjudged and Decreed that said Motion be and is hereby denied.

/s/ KIMBROUGH STONE,
Circuit Judge,
/s/ EUGENE WORLEY,
District Judge.

I adhere to the views expressed by me in the dissenting opinion heretofore filed herein.

/s/ WILLIAM P. COLE, JR.,
District Judge.

OPINION ON DENYING MOTION FOR NEW TRIAL.
Filed June 30, 1955.

IN THE UNITED STATES DISTRICT COURT
For the District of Columbia.

United States of America, *Plaintiff*,
vs.
United States Gypsum Company, *et al.*, *Defendants*. } No. 8017 Civil.

In re Motion for a New Trial.

MEMORANDUM.

Before the Honorable Kimbrough Stone, United States Circuit Judge and the Honorable Eugene Worley and the Honorable William P. Cole, Jr., Judges of the United States Court of Customs and Patent Appeals, sitting as District Judges.

Per Curiam: The function of a motion for a New Trial is to direct the attention of the Court to matters in the opinion of the trial court, in its findings of fact or in its conclusions of law, which counsel regards as having resulted in an erroneous judgment. Here, counsel for the various parties have ably presented or opposed the present motion.

Although the merits of these petitions by the Government and the other petitioners were exhaustively discussed

and determined, in majority and dissenting opinions, and the settlement of Finding and of the conclusions and the form of judgment had been painstakingly considered by this Court heretofore in the light of extended invited suggestions from counsel, we have not deemed this present motion as merely a necessary formal step in the progress to a final determination by the Supreme Court. Not only have we listened to the excellent oral arguments on this motion but we have carefully read and studied the complete transcript of that hearing as well as all of the matters brought to our attention therein.

Because of these efforts by the Court members and because we still adhere to the views heretofore expressed, it would be but repetition to write a memorandum ruling this motion were it not for one entirely new feature which appears for the first time in this motion. This one matter requires attention and determination. This is the contention by USG that Section 271(d) of Title 35 expressly protects the USG suits against petitioners from any defense of "misuse" on its part of its patents.

The here pertinent language of paragraph "(d)" is that "no patent owner otherwise entitled to relief for infringement * * * of a patent shall be denied relief or deemed guilty of misuse or illegal extention of the patent right by reason of his having * * * (30 sought to enforce his patent rights against infringement * * *."

The vital words for us in this quotation are "otherwise entitled". Patents are classical instruments in conspiracies and combinations to violate the Sherman Act. Can it be that where a designated misuse of patents—here patent license agreements—has been adjudged to be violative of that Act that thereafter the patentee-licensor is absolutely protected by paragraph (d) (3) from the defense of misuse in recovering upon those adjudged unlawful agreements? Can it be possible that the Congress

intended, by paragraph (d) to give to a patentee a protection superior to them and public policy of the Sherman Act?

We have determined that the 1951 Final Decree should be modified to effectuate that Decree fully. Those modifications cover the USG suits definitely. We cannot believe that paragraph (d) was intended to or can properly be construed as nullifying the power of this Court to effectuate the purposes of an anti-trust decree. In short, USG is *not* "otherwise entitled" to come within paragraph (d) (3).

Excerpt from Transcript of the Hearing Before the Court on June 29, 1948, stating views of the Judges on Plaintiff's Motion for Summary Judgment. (R. 11869-11876.)

Chief Justice Stephens: We will take a recess for ten minutes, gentlemen, and reconvene and, if possible, make some announcement as to when we can reach a conclusion upon this motion for summary judgment.

(Recess: 4:27 p. m. to 4:47 p. m.)

Chief Justice Stephens: The Court thinks it need give no further consideration to the motion for summary judgment than it has thus far given. It has heard the arguments and considered them carefully and has read the proffers and various other papers presented and is ready now to reach a decision.

The Court is in division on the motion for summary judgment. Judge Garrett and Judge Jackson have different views from those of myself, and I will ask them each to state briefly their views, and then I will state mine.

Judge Garrett.

Judge Garrett: I have studied the proffer of proof very carefully in the light of the motion for summary judgment and in the light of the argument made in the briefs.

It is my opinion that if everything should be testified to, which is in the proffer of proof, it would not bring any change in the decision of the Supreme Court on the fundamental question involved.

I do not care to go into any detail about the matter. Of course it is very well known my judgment was different originally, but the Supreme Court has spoken, and I am unable to see wherein there is any loophole through which

there may be a conclusion different from that reached by the Supreme Court upon the fundamental question.

Hence, I think the summary judgment should be granted, but I take the precaution to say that the decree following the summary judgment, if it comes or when it does come, must be examined with great care because it should not include matters which were not in issue before the Supreme Court.

That, I think, is all that I have to say.

Chief Justice Stephens: Judge Jackson.

Judge Jackson: Judge Garrett's reasoning parallels mine. I, too, feel that if everything were proved by witnesses on the stand that is stated would be attempted to be proved in the offer of proof, that still there would be no genuine issue of a material fact. There is no sense in going to great length to explain my view. I agree with Judge Garrett. I have read very carefully the briefs, listened with attention and an open mind to the arguments, but I just can't understand how I could come to any other conclusion in view of the decision of the Supreme Court.

Chief Justice Stephens: I have a different view from my colleagues. I think the same issues and genuine issues of fact which were in the case at the outset are still in the case. The issues which arise from paragraphs 44, 45 and 46 of the plaintiff's complaint and of the defendant's answers denying the allegations therein.

I think the opinion of the Supreme Court clearly contemplates further proceedings in this case. It says on page 33 of the slip opinion just above Topic 5:

> "It may be that in the light of this opinion the District Court will conclude that many such findings are no longer significant in reaching its decision. As to others a different result will be required. Enough has been said as to the findings and the evidence, we think, to enable the District Court to pass upon the facts that

may come before it on further proceedings in accord with our present ruling."

That, I think, is a clear indication by the Supreme Court that further proceedings were contemplated by it to be held by the Trial Court.

As to the balance of the opinion of the Supreme Court, while it is difficult to be clear as to just what it means on the topic of legality or illegality of the plurality of licenses, I cannot bring myself to believe in reading the opinion several times carefully that the Supreme Court has intended to rule that a mere plurality of licenses with price-fixing provisions is illegal.

I think, therefore, that the Supreme Court would not warrant our denying the defendants a right to try to prove that that was all there was in the instant case.

I do not see how we can assume to say that the defendants will not be able to prove to the satisfaction of the Court the correctness of the findings of fact which it has already made. Putting this otherwise, I think the whole of the opinion in the Supreme Court must be read in the light of the proposition that the Supreme Court was passing only upon the question whether or not a prima facie case had been made.

I do not think it intended to rule that a complete case had been made. If so, it could itself have ordered a decree. I think the defendants are entitled to try by introducing evidence to convince the triers of fact that the allegations in paragraphs 44, 45 and 46 of the complaint are not true.

I think that to grant summary judgment at the present stage of the case is to deny to the defendants the guarantee of the due process clause of the Constitution of its day in court on the issues raised by its answer.

I do not think the Supreme Court contemplates any such denial.

That states my views briefly.

With respect to a decree, since I am now in the minority, I shall have to defer to the views of my fellows as to this suggestion.

It occurs to me, Mr. Steffen, in view of the victory you have now so fully won, that you might be able to content yourself with a decree which reflects the views of my colleagues on the subject of conspiracy to execute and take patent licenses for the purpose of organizing the industry and stabilizing prices, and on the subject of monopoly, and that you might not need to trouble yourselves or the Court with the difficulties about jobbers and high prices and arbitrary prices of the patented board or with respect to unpatented materials or with respect to standardization or with respect to manufacturing distributors.

I should think you might be able to waive those points, if you get a decree, which you will now get, holding the entire licensing system illegal.

Now, of course, we can't compel you to do that, but I suggest that as a matter for your consideration; and if you come to a different conclusion, then I think my colleagues will have to meet the issue of how they are going to draw a decree on those five topics which are the subject of paragraph 45 of the complaint without a hearing granted to the defendants on their denials of the charges on those subjects.

Mr. Steffen: If Your Honors please, we will be glad to have possibly 90 days in which to study over the matter of the findings and also to take up in some measure the nature of the proposed decree. We do not want to hurry in this, and we would not like to be pressed to agree now to any particular findings, but after studying it thoroughly, we will then, as in the last case, submit—

Chief Justice Stephens: I wouldn't suggest a present

commitment, of course. I do have this to suggest: that while I disagree with my colleagues in their views, I think one of the practical results of their views, which might be desirable, is that if the defendants see fit, as I assume they will, to appeal from this ruling, we then may get a speedy determination by the Supreme Court as to what this opinion means on the subject of plurality of licenses and the legality thereof.

It would seem to me that it would be to the interest of the Government, which wants to stop what it claims to be an illegal combination, to get its decree in here as soon as possible so that the defendants can proceed to appeal as soon as possible.

So I would suggest that you take as little time as is reasonably necessary for preparing a proposed decree.

Judge Jackson: Be sure that time is sufficiently long, though, so that some of us Judges can get out of this climate. I am not going to work this summer if I can help it. I am sick of it.

Mr. Steffen: We want at least 90 days.

Chief Justice Stephens: Is there any objection to 90 days for the preparation of the proposed decree, any objection by the defendants?

Mr. Steffen: Mr. Knuff says he would prefer 120 days. I might say this: that I am in charge of a case in New York against the Investment Bankers. I come here occasionally, and Mr. Knuff has been carrying the load and it will be largely his load over the summer.

Judge Jackson: Let us not fix a definite date, then, but get it out as conveniently as you can without killing yourselves, but have it accurate.

Mr. Steffen: That is right.

Chief Justice Stephens: It seems to me it would be better to set some time limit. If the defendants do not object,

let's make it 120 days. Any objections by the defendants to 120 days?

Mr. Bromley: No, Your Honor.

Chief Justice Stephens: Make it 120 days from today to present the proposed decree to the Court and to adverse counsel.

Mr. Steffen: That is proposed findings of fact.

Chief Justice Stephens: Proposed findings of fact, decree, or any other papers you feel you are obliged to have signed by the majority of the Court under this motion for summary judgment and the granting thereof.

United States v. *United States Gypsum Company, et al.* Civil Action No. 8017, District Court of the United States for the District of Columbia.

OPINION BY STEPHENS, J., ON MOTION FOR SUMMARY JUDGMENT

STEPHENS, *J.*: I think that the entry of a summary judgment against the defendants is not warranted. The case was before the Supreme Court for review of the correctness of the trial court's mid-trial dismissal, under Rule 41 (b), Federal Rules of Civil Procedure, of the Government's complaint. The dismissal was after the Government had completed presentation of the evidence which it relied upon to sustain the charges in its complaint, but before any evidence had been presented by the defendants. As I read its opinion the Supreme Court determined that the Government's evidence established *prima facie* the violations of the Sherman Act, or some of them, charged in the Government's complaint. But these charges—outlined in paragraphs 44-46 (a) inclusive, and detailed in paragraphs 47-123 inclusive, of the complaint are denied by the defendants' answers.[2] Hence there remain in the case genuine

2. The charges reduce themselves in essence to the following: (1) That the license contracts entered into between the defendant USG, as licensor, and the other defendants, as licensees, are themselves illegal as in restraint of trade in view of the nature of the patents upon which the contracts are based, in view of the fact that USG and the plurality of defendant licensees manufacture all of the gypsum board in the "Eastern area," and in view of the terms and conditions of the contracts, including those providing for the establishment of minimum prices on patented gypsum board to be made and sold by the defendants. (2) That the license contracts, even if valid on their face, were not entered into as bona fide license agreements, reasonably designed to secure to USG the pecuniary reward for valid patent monopolies, but were executed by the defendants merely to give color of legality to a combination to restrain trade, by control of the prices and terms and conditions of sale of gypsum board, plaster, and mis-

issues of material fact. This forbids the entry of a summary judgment for under Rule 56(c), Federal Rules of Civil Procedure, such a judgment can be rendered only "if the pleadings, depositions, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law. . . ." And I think that in setting aside the trial court's findings of fact and in saying that "By the record *now presented*" violation of the Sherman Act is clear and in saying that, as the order of dismissal came at the end of the Government's presentation on defendants' motion to dismiss under Rule 41 (b), "the order is reversed and the case remanded *for further proceedings in conformity with this opinion,*"[3] the Supreme Court meant that the defendants' evidence should be heard and the case disposed of by the trial court upon the merits on the issues raised by the complaint and the answers and upon findings of fact and conclusions of law to be made anew after a weighing of all of the evidence, *i.e.*, that to be presented by the defendants as well as that which had been introduced by the Government. It is in my view not to be thought that the Supreme Court contemplated denial to the defendants of their day in court upon the issues raised by the pleadings. But that is the effect of the summary judgment; the

cellaneous gypsum products throughout the gypsum industry. (3) That the defendants' operations were carried beyond the proper limits of a patent monopoly and licensing thereunder by raising and fixing at arbitrary and non-competitive levels the price of gypsum board made and sold by the defendants, by improper standardization of gypsum board and its method of production, by raising, maintaining and stabilizing the level of prices of unpatented materials—plaster and miscellaneous gypsum products—by effectuating improper restriction upon distribution of gypsum board, plaster and miscellaneous gypsum products, and by fixing the prices at which manufacturing distributors resold gypsum board. (4) That the patents, or some of them, upon which such license agreements were purportedly based are invalid.

3. *United States* v. *United States Gypsum Co.*, 333 U. S. 364, 401, 402 (1948); italics supplied.

defendants have made offers of proof but they are not to be permitted to present evidence. It is true that it is without dispute in the case that patent licenses with price fixing limitations were executed by the defendants, that these licenses were, in the large, adhered to by each defendant with knowledge of the adherence of others, and that they were industry wide; and these undisputed facts were adverted to by the Supreme Court in the course of its opinion ruling that a *prima facie* case of conspiracy to violate the Sherman Act had been made out by the Government. But I do not read the opinion of the Court as ruling that such a plurality of patent licenses is, without more, conclusive, rather than merely *prima facie,* evidence of a violation of the Sherman Act. Had the Court regarded such a plurality of licenses, without more, as conclusive evidence of a violation of the Act it would I think have overruled *United States* v. *General Electric Company,* 272 U. S. 476 (1926). This it did not do either in its decision in the instant case or in *United States* v. *Line Material Co.,* 333 U. S. 287 (1948). In the latter case the Sherman Act violation found by the Supreme Court was laid by it to the cross-licensing of the Lemmon and Schultz patents, not to the admitted plurality of licenses with price fixing provisions entered into, as the Court said, as the result of arm's length bargaining although with knowledge on the part of each licensee of price provisions in the licenses of others.

I think therefore that the defendants should be permitted to present their offered proof on the issues of fact raised by their answers to the Government's complaint and that the court should then hear argument by counsel for the parties and should, after weighing the evidence of both the Government and the defendants, make findings of fact and conclusions of law anew and then render judgment according thereto.

/s/ HAROLD M. STEPHENS, *J.*

November 7, 1949.

APPENDIX B.

FEDERAL RULES OF CIVIL PROCEDURE.

RULE 8.

GENERAL RULES OF PLEADING.

a. Claims for Relief. A pleading which sets forth a claim for relief, whether an original claim, counterclaim, cross-claim, or third-party claim, shall contain (1) a short and plain statement of the grounds upon which the court's jurisdiction depends, unless the court already has jurisdiction and the claim needs no new grounds of jurisdiction to support it, (2) a short and plain statement of the claim showing that the pleader is entitled to relief, and (3) a demand for judgment for the relief to which he deems himself entitled. Relief in the alternative or of several different types may be demanded.

b. Defenses; Form of Denials. * * *

c. Affirmative Defenses. * * *

d. Effect of Failure to Deny. * * *

e. Pleading to be Concise and Direct; Consistency.

(1) Each averment of a pleading shall be simple, concise and direct. No technical forms of pleading or motions are required.

(2) A party may set forth two or more statements of a claim or defense alternatively or hypothetically, either in one count or defense or in separate counts or defenses. When two or more statements are made in the alternative and one of them if made independently would be sufficient, the pleading is not made insufficient by the insufficiency of one or more of the alternative statements. A party may also state as many separate claims or defenses as he has regardless of consistency and whether based on legal or on

equitable grounds or on both. All statements shall be made subject to the obligations set forth in Rule 11.

f. Construction of Pleadings. All pleadings shall be so construed as to do substantial justice.

TITLE 35 U. S. C.

Sec. 271. Infringement of patent.

(a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement. (July 19, 1952, c. 950, Sec. 1, 66 Stat. 811.)

Title 15, U. S. C., Sections 1, 2 and 3. (Sherman Act).

Section 1. Trusts, etc., in restraint of trade illegal; exception of resale price agreements; penalty.

Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal: *Provided,* • • •

Section 2. Monopolizing trade a misdemeanor; penalty.

Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding $5,000, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court. (July 2, 1890, ch. 647, Sec. 2, 26 Stat. 209.)

Section 3. Trusts in Territories or District of Columbia illegal; combination a misdemeanor.

Every contract, combination in form of trust or otherwise, or conspiracy, in restraint of trade or commerce in any Territory of the United States or of the District of Columbia, or in restraint of trade or commerce between any such Territory and another, or between any such Territory or Territories and any State or States or the District of Columbia, or with foreign nations, or between the District of Columbia and any State or States or foreign nations, is declared illegal. Every person who shall make any such contract or engage in any such combination or conspiracy, shall be deemed guilty of a misdemeanor, and,

on conviction thereof, shall be punished by fine not exceeding $5,000, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court. (July 2, 1890, ch. 647, Sec. 3, 26 Stat. 209.)